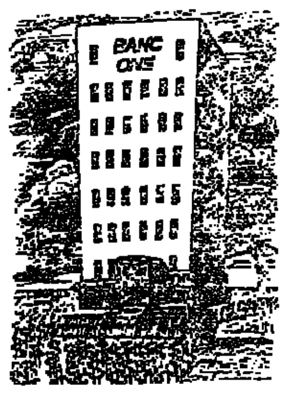
Democrats in New York
Are happy days here again?
Page 6

Conc
White elephant shows its age
Page 9

Marks and Spencer
European expansion proves its worth
Page 8

Goodbye Columbus
Banc One makes it big outside Ohio
Page 6



NEWSPAPER of THE YEAR

FINANCIAL TIMES

Monday July 13 1992 EUROPE'S BUSINESS NEWSPAPER D8523A

Rabin picks 'dove' Peres to push for Mid-East peace

Yitzhak Rabin yesterday appointed Shimon Peres, a former premier and long-time political "dove", as foreign minister in the new Israeli Labour-led coalition, which seeks an early breakthrough in Middle East peace talks.

The new government, with Mr Rabin as premier and a commitment to territorial compromise, replaces the hardline Likud party, which has been in government for 15 years. Page 3

Help for Sarajevo: Aid workers took relief supplies to the most devastated area of Sarajevo for the first time since the siege of the district began. Page 10; Serbs step up pressure in Kosovo, Page 5

Bramalea, debt-burdened developer controlled by Toronto's Bronfman family, expects to withdraw from the North American industrial property market and to retain only a handful of its Canadian office buildings as part of a last-ditch effort to maintain the confidence of its lenders. Page 12

Budget appeal: Britain has invited its Community partners to go back to basics in assessing the European Commission's proposed five-year budget plan, by considering the package from a strict financial perspective. Page 2

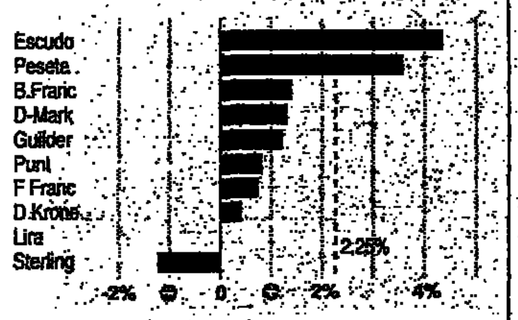
Anti-corruption move: Legislation to prevent political corruption will be put forward in the autumn, Pierre Bérégovoy, the French prime minister, announced at the Socialist Party Congress in Bordeaux at the weekend. Page 2

BCCI move: Sheikh Khalid Bin Mahfouz, whose family controls the National Commercial Bank of Saudi Arabia, planned to gain control of the Bank of Credit and Commerce International in the mid-1980s, according to US court documents filed by the Federal Reserve Board. Page 3

Tests on Pope: Pope John Paul II was admitted to a Rome clinic yesterday for tests on an intestinal problem.

European Monetary System: Sterling starts the week firmly at the bottom of the EMS grid after a week in which it dropped 2¼ pfennigs against the D-Mark. The pound's weakness is underlined by the 1.51 percentage point differential that separates it from the Italian lira, the next weakest currency. This suggests the pound will be at the bottom of the grid for some time to come. The Portuguese escudo remains the strongest currency, despite indications by the Bank of Portugal last week that it intends to soften interest rates. The market's eyes are on the Bundesbank this week, amid speculation that it will tighten monetary policy again. Currencies, Page 21

EMS: Grid July 10, 1992



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling and the Spanish peseta operate with 6 per cent fluctuation bands.

Currency dropped: Latvia says its own rouble, which has circulated in parallel with the Russian currency since the start of May, will become the only legal tender from July 20. Page 2

Sell-off: The former biggest distributor of electrical equipment, tools and materials to east German industry, Maschinenbau-und Technikhandel, is to go on sale this week at a price expected to be over Dm150m ($99m). Page 12

IMF warning: Russia may not be able to complete its full standby agreement with the International Monetary Fund before late autumn, a senior IMF official has warned. Page 2

British Airways: A long-expected top management transition will be announced tomorrow at the airline's annual general meeting when Lord King, the 75-year-old chairman, is likely to indicate his intention to step down. Page 11

Hanson: Lord Hanson, chairman of the Anglo-US conglomerate, said the group planned to build its core businesses through acquisitions that were more likely to take place in the US and UK than in mainland Europe. Page 11

Joint action: Unions representing Ford workers across Europe are combining forces for the first time in dealings with the company. Page 5

Lamont backed: The UK government's determination to maintain its economic strategy was underlined by prime minister John Major as he gave unequivocal backing to the chancellor of the exchequer's refusal to consider a devaluation of sterling. Page 10; Editorial Comment, Page 8

Motor racing: Britain's Nigel Mansell, driving a Williams-Renault, won the British grand prix at Silverstone, to increase his lead in the race for the drivers' world championship. Page 5

FT Survey: The Survey of Japan, promised for today, will now be published in international editions of the Financial Times on Wednesday, July 15.

Germany 'walking tightrope' over money supply growth

By Andrew Fisher and David Marsh in Frankfurt

THE Bundesbank is "walking a tightrope" between the need to curb money supply growth and pressure from Germany's European partners to avoid stifling an economic recovery, a senior Bundesbank official said at the weekend.

Germany's money supply has ballooned by nearly 40 per cent in the past two years with the absorption of east Germany, putting the Bundesbank in a severe dilemma as its central council meets this week to review its monetary target for 1992.

The central bank, headed by Mr Helmut Schlesinger, is aware that drastic action to curb growth in the money supply would upset its EC partners. But in the last resort it is likely to give priority to restoring Germany's domestic monetary stability.

The senior official suggested that countries which thought they were suffering from Germany's monetary policies could take the initiative by seeking realignment within the European Monetary System.

Pointing to occasional currency changes in the EMS – where the last full-scale realignment was in January 1987 – the official said: "We are not in a fixed exchange rate system yet."

Although he stopped short of calling outright for a realignment, he indicated that the Bundesbank believed market forces might eventually force weaker currencies towards a devaluation.

The official did not mention EMS devaluation candidates by name. But he said the Bank of Italy had been intervening with "considerable" amounts to defend the lira last week.

The official warned that if other countries were worried about rising German inflation, the only way this could be combated would be through tight German interest rates.

Bundesbank officials appear undecided about what the council should do at Thursday's meeting. Despite the half-point rise in official interest rates in December which lifted the Lombard rate to 9.75 per cent and the discount rate to 8 per cent, domestic monetary conditions have become more uncertain and less responsive to Bundesbank action.

A further rise in the Lombard rate is unlikely because of the problems this would cause for other members of the EMS, who want to reduce rates. But the less important discount rate could be increased or banks' access to central bank funds limited.

The Bundesbank has almost given up hope that this year's money supply target will be met, but hopes to create the conditions for slower growth in M3, the broad monetary aggregate, next year. M3 has risen at an annualised 9 per cent against a target range of between 3.5 and 5.5 per cent.

A year at hard labour, Page 2

Amato's government to sell off an initial 45% of assets

Rome moves to quicken privatisation

By Robert Graham in Rome

ITALY'S overblown public sector holdings are to be radically reorganised to accelerate privatisation.

IRI, the main public sector holding, ENI, the state oil concern, ENEL, the national electricity company, and INA, the national insurance institution, will today become joint stock companies under the tutelage of the Treasury.

Their total assets have been put provisionally at L60,000bn ($52.63bn) and the new Italian government of Prof Giuliano Amato intends to sell off an initial 45 per cent to the public.

This promises to be the most far-reaching change in the nature of state ownership since Mussolini first created IRI in 1933 to act as the motor of public sector driven development. IRI companies alone account for over 4.5 per cent of GDP and they cover a range of activities from agriculture, banking, construction, defence, information technology, the media and shipbuilding.

The announcement at the weekend came in the wake of Friday's emergency budget for the remainder of 1992 which is aimed at finding an extra L30,000bn through spending cuts and increased revenues. The move should add greater credibility to the budgetary measures which were criticised for failing to make more significant spending cuts.

"We are on the edge of a precipice," said Mr Amato commenting on the measures in the budget.

His sense of urgency was underlined by the speed his government intends to tackle privatisation. The four state entities will have only 10 days to approve their new statutes.

The previous Andreotti administration spent more than a year arguing over how and what to privatise, while optimistically writing in a total of L21,000bn from privatisation income for 1991-2.

Until now the main block on privatisation has come from politicians who have encouraged state ownership as a means of continuing political patronage. The management of all state groups is politically appointed.

Mr Amato has also decided to wind up Efim, the industrial state holding whose debts of L8,000bn are nearly double its annual turnover.

Its situation has long been one of the most blatant examples of political patronage determining industrial strategy.

Foreign creditors account for L3,500bn of the debt and talks with them could determine how many of its activities such as the heavy loss-making aluminium sector will be closed down, or merely transferred to IRI.

By placing the four public entities under the tutelage of the treasury, the government intends to signal to the markets that it is seeking serious financial solutions to the complex issues raised by privatisation. The Treasury has the best technical team and has been working exhaustively on privatisation schemes over the past year.

It is expected to create two new holding companies at least temporarily: one will hold the shares

Continued on Page 10
Editorial comment, Page 8

Happy days: Hillary Clinton catches New York's upbeat mood with husband Bill ahead of the Democratic National Convention

Perot gaffes as Clinton thrives

By George Graham in Washington

GOVERNOR Bill Clinton arrived in New York at the weekend for the Democratic party convention, fresh from a demonstration of why, notwithstanding the reluctance of former presidential hopeful Mr Jesse Jackson, he seems likely to win an overwhelming majority of black and other minority votes in November's presidential election.

Mr Jackson, who has clashed repeatedly with Mr Clinton over the past few months, offered a grudging endorsement of the Clinton campaign on Saturday night, but on Sunday he went on to make clear that his differences with the Arkansas governor remained unresolved.

However, Mr Clinton's warm reception at a meeting of the National Association for the Advancement of Colored People (NAACP), one of the leading black and minority rights advocacy groups in the US, suggested that Mr Jackson, though clearly still influential with African-American voters, does not speak for them all.

Mr Clinton and Senator Al Gore of Tennessee, his vice-presidential running mate, received a generally enthusiastic response from the NAACP audience in Nashville on Saturday, contrasting with a cool welcome for Mr Ross Perot, the Texas billionaire who appears all but certain to run as an independent candidate.

In a speech to the NAACP delegates, Mr Perot recounted how well his father had treated his poor black employees and repeatedly referred to "your people". Some black leaders at the meeting called the comments condescending.

Mr Perot later apologised for his language, but several NAACP delegates said he had betrayed his lack of experience with minorities.

Mr Jackson, who has publicly flirted with the idea of backing Mr Perot, in spite of a clear rebuff from the Perot campaign, was in a more forgiving mood yesterday towards the Texan independent than he has been towards Governor Clinton. "That gaffe was not intentional," he said.

Senator Gore also said Mr Perot deserved the benefit of the doubt.

But Governor Ann Richards of Texas, who is chairing this week's Democratic convention.

Continued on Page 10
Clinton tops, Page 4
Shiver of apprehension, Page 14
Shift of mood, Back Page, Section II

Germany to sell off stake in Airbus four years early

By Quentin Peel in Bonn and Andrew Hill in Brussels

THE GERMAN government has agreed to sell its remaining 20 per cent stake in Deutsche Airbus, the German partner in the European Airbus consortium, to Daimler-Benz, four years ahead of the agreed date.

In exchange, Daimler-Benz has accepted the cancellation of its lucrative currency insurance deal with the government, which protected Deutsche Airbus from excessive currency fluctuations.

The agreement means that Daimler-Benz, the largest industrial group in Germany, will own 100 per cent of Deutsche Airbus through its Deutsche Aerospace subsidiary. The company is planning a further reorganisation of all its aerospace interests by October and Deutsche Airbus will be fully incorporated into financial results.

Cancellation of the currency insurance deal, which cost the German government DM580m ($382m) in 1990, will remove the grounds for the US complaint of unfair subsidy to the General Agreement on Tariffs and Trade, upheld by a Gatt disputes panel in January. A further DM640m had been allowed for in the state budgets up to 1996, when Daimler was originally expected to take 100 per cent control.

The currency deal meant that the German government covered potential exchange rate losses on Airbus sales, if the dollar fell below DM1.60, without charging any premium for the insurance. The US government alleged that the payments amounted to a subsidy of $2.5m per Airbus delivered in 1990.

The agreement with Daimler was disclosed at the weekend by Mr Erich Riedl, the state secretary responsible for the aerospace industry in the Bonn Economics Ministry. He said it should be signed by the end of September, thus completing the privatisation of the German aerospace industry.

Meanwhile, the European Community is today expected to ratify the long-awaited EC-US deal to limit direct and indirect government support for new commercial airliner projects.

Finance ministers, meeting in Brussels, should rubber-stamp the agreement, which was reached on April 1 after some six years of on-off talks between the two sides. In spite of early rumblings of discontent in Washington, Brussels officials now believe the accord is safe from political tampering.

The EC's ratification will come less than a week after United Airlines, the second largest US carrier, placed a $5bn order with Airbus Industrie, the EC manufacturing consortium, for up to 100 A320 jets.

There were fears the deal might revive controversy over government subsidies to Airbus. The EC manufacturer won the order with an attractive financing package in the face of fierce competition from United's traditional US supplier, Boeing.

Disputes between the US and EC have centred on accusations that Airbus receives direct development aid from EC governments, and that US manufacturers benefit from support disguised as military or space research grants.

Austria	Sch30	Hungary	Ft182	Malta	Lm0.50	S.Arabia	SR9.00		
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10		
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200		
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14		
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00		
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50		
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000		
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000		
France	FFr8.50	Kuwait	Fils.500	Poland	Zl 18,000	UAE	Dh9.00		
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190				
Greece	Dr260	Lux	LFr60	Qatar	QR10.00				

CONTENTS

IMF warns of delay in deal with Russia

By George Graham
In Washington

RUSSIA may not be able to complete its full standby agreement with the International Monetary Fund before late autumn, a senior IMF official has warned.

After negotiating a preliminary agreement with the Fund which will allow the release of a first $1bn (£523.5m) credit tranche, Mr Yegor Gaidar, the Russian prime minister, had hoped to complete the standby agreement in October.

But IMF officials have said they will need some time to complete negotiations on the standby after arrangements for a rouble zone, including several of the former Soviet republics as well as Russia, have been put in place.

"We have no experience in the IMF of a standby negotiated in one day or two," a senior official said.

However, the officials added that it should be possible to complete the standby and move on to the third phase of Russia's IMF programme with the installation of a $6bn rouble stabilisation fund early next year.

Fund officials are encouraged by the precedent set by the Baltic republic of Estonia for a "civilised exit" from the rouble zone, and say they now want to create the conditions for "civilised coexistence" between Russia and those republics, such as Belarus and Kazakhstan, which are considering remaining within the rouble zone.

While the deal for a preliminary $1bn programme negotiated a week ago between Mr Gaidar and Mr Michel Camdessus, the IMF managing director, was viewed in some quarters as a concession by the Fund, given its original demands for radical economic reform, IMF officials said they had a "guarded optimism" about the Russian government's commitment to reform.

"In view of the strength of the commitments of the Russians and their friends we believe that there are enough assurances to go ahead," a senior official said.

Fund officials warned, however, that the international community had not yet begun to address Russia's financing needs for 1993. They expect a financing gap next year of roughly the same size as this year's, which prompted a combined $24bn western aid package.

Second Baltic state to leave rouble zone

By Phillipe LeGrain in Tallinn

LATVIA has announced that its own rouble, which has circulated in parallel with the Russian currency since the start of May, will become the only legal tender from July 20.

The Baltic state will thus be the second country to leave the rouble zone, after Estonia, which introduced its own currency, the kroon, on June 20. The Latvian rouble will only be temporary, as Latvia still intends to introduce its own currency, the lat, this autumn. Ukraine and Lithuania are also expected to introduce their own currencies within the next few months.

The Bank of Latvia does not expect problems with the clearing of payments with Russia, as an agreement was reached at the end of last week with the Russian central bank. Mr Yegor Gaidar, the acting Russian prime minister, however, said he had not been consulted about the move.

The Latvian rouble, unlike the Estonian kroon, is backed only by the government's authority. Dubbed "white money" by the Latvians, it will be convertible into Russian roubles at par, though not officially into hard currency.

Mr Einars Repse, central bank president, said Estonia's introduction of the kroon had caused an overwhelming influx into Latvia of Russian roubles. This had revived inflation, which had been squeezed to under 250 per cent by a shortage of cash roubles and the freezing of Latvian bank accounts in Moscow.

Terry Kirk

Bundesbank president Helmut Schlesinger (right) with finance minister Theo Waigel at last year's International Monetary Fund meeting in Bangkok

Schlesinger faces a year at hard labour

Bundesbank chief's extra term will be tough, write David Marsh and Andrew Fisher

IF HISTORY had not dictated otherwise, Mr Helmut Schlesinger would now be within a few weeks of graceful retirement after four decades of honourable achievement at the German Bundesbank.

In fact, Mr Schlesinger, unexpectedly made the bank's president last summer after the resignation of Mr Karl Otto Pöhl, will be staying on for another 12 months beyond the normal retirement age of 68, which he reaches in September. It is likely to be a year not of grace, but of the central banker's equivalent of a night out on the wrong side of Mount Eiger.

Mr Schlesinger faces the toughest decision of his long career when he and the rest of the Bundesbank's policy-making council decide on Thursday what to do about this year's runaway money supply growth.

Some form of credit tightening is expected as a signal that the Bundesbank is taking seriously the 9 per cent increase in the M3 money supply for 1992 – double the central bank's 3.5-5.5 per cent target.

Under the unprecedented strains provoked by German unification – the real reason for Mr Pöhl's exit – Germany's financial machinery is running haywire. The worries are compounded by the Bundesbank's analysis that there is "no recognisable weakening" of inflation, which is running at 4.3 per cent, against the central bank's longer-term target of 2 per cent.

Thursday's decision will have an important influence on the prospect of a realignment of exchange rates within the European Monetary System – an option thought increasingly plausible within the Bundesbank.

Tightening action would not simply send disruptive ripples around Europe, where nearly every other country – led by Britain and France – wants to cut interest rates to bolster sluggish domestic economies. The outcome of the council's deliberations will also spill over to the US and Japan, where the central banks have been cutting interest rates to try to speed up emergence from recession.

Mr Kurt Biedenkopf, prime minister of Saxony, yesterday warned Europe to redirect spending priorities because of the need to overcome eastern Europe's economic difficulties.

Mr Biedenkopf, a powerful spokesman for the German states' attempts to wield influence over the Maastricht treaty, also voiced misgivings about whether European monetary union (Emu) would come into effect at the time foreseen by the Maastricht treaty.

During a visit to London, Mr Biedenkopf said the German states would ratify the treaty only if the government fulfilled certain conditions on transfers of powers to the EC. Among these conditions, the states were looking closely at resource transfers to poorer EC countries as well as at the "automatic" timetable for Emu.

Lower-income countries like Spain would have to accept a longer period in which to catch up economically with more prosperous EC states. "If you overdo [income] equalisation in Europe you're going to kill Europe. It won't work," he said.

Mr Schlesinger himself does not know exactly what the central bank will do. The outcome of Thursday morning's meeting will depend on several hours of tense debate within the 18-man council and, at the end, a show of hands. The Bundesbank's statutorily independent policy-making body, which sets interest rates not just for Germany, but, effectively, for the rest of Europe, is accountable to no one but itself. But, in its internal deliberations, the council is very democratic. It takes decisions on the basis of "one man, one vote".

The psychology of the council, mixing men of very different character, ability and political leanings, is highly complex. Several leading denizens on the council have a strong streak of rebelliousness – and some have no particular affection for Mr Schlesinger. The president is uncomfortably aware that, if he makes any public statement prejudging the outcome of the council meeting, he may end up producing a result opposite to the one he intends. For fear of adding to speculation, the Bundesbank does not even want to announce yet whether a press conference will be held after the meeting.

Whatever course of action the Bundesbank takes, Mr Schlesinger knows he will be criticised. For several reasons, the bank is at a watershed.

● For the first time since it brought in monetary targets 18 years ago, it faces a drastic overshooting of its objectives for both inflation and the money supply. In previous periods when the Bundesbank has significantly exceeded its monetary goals (1977-78 and 1986-87) inflation was well under control and the current account (unlike in post-unity Germany) in healthy surplus.

● The overshooting marks the first time that serious doubts have arisen about the significance of the Bundesbank's monetary aggregates. Unification – above all the huge public subsidies flowing from west to east Germany – have blunted the cutting edge of monetary policy. M3 has been artificially inflated by high short-term interest rates attracting savings from longer-term investments, as well as by the build-up of D-Mark assets in eastern Europe. But the threat to the Bundesbank's credibility is all the greater because Mr Schlesinger, architect of the monetary targets introduced in 1974, has for years been the main protagonist of the bank's anti-inflation policy.

● During its years of anti-inflation battling, the Bundesbank has never faced such a difficult international environment. In the Bundesbank's two previous main bouts of credit tightening (1972-73 and 1979-81) the central bank was often unpopular, above all, at home, but was acting within a broad international consensus. This time round, however, because of the extraordinary post-unification position of the German economy, the Bundesbank is out on a limb. Each of its interest rate increases last year – in January, August and December – provoked progressively greater impatience from Germany's foreign partners.

● Most delicate of all is the effect that Bundesbank tightening could have on the Maastricht treaty on economic and monetary union (Emu). The decision in December, just a week after the Maastricht summit, to raise discount and Lombard rates to their highest since the 1930s was already widely conceived as a sign of the central bank's hostility to the treaty. Outside Germany, action on Thursday would be construed similarly.

In a deliberate change of role from his previous hawkishness, Mr Schlesinger has been doing his best, both in public speeches and private conversations with central bankers, to show emollience over Emu. On the international central bankers' circuit, he rates as a much more patient figure than Mr Pöhl. However, there is no doubt of his fundamental hostility to a premature abandonment of the D-Mark. Following the Danish "no" to Maastricht in June, Bundesbank officials have been talking more openly of the possibility that Emu may not come into effect.

Mr Schlesinger is no stranger to criticism of the bank's monetary policies. He regards some of it simply as proof that he is doing his duty. The barbs which wound him most, however, are those from domestic German monetarists suggesting that the Bundesbank has consistently acted too late during the past few years in tightening money to combat growing signs of inflation.

As he seeks a path through the competing pressures, Mr Schlesinger will instinctively head towards the road which will provide the best chances for low German inflation. All other considerations – from the future of Maastricht to the re-election of President George Bush – will loom less large.

His inner convictions, however, are unlikely to guarantee Mr Schlesinger undisturbed sleep during the next few nights. And, with still a year of his presidency left, he may find after Thursday that the steepest part of his uphill march is only just beginning.

'Tulip' failed to bloom for Stasi dirt diggers

By Quentin Peel in Bonn

IT had to happen: somebody somewhere has found Mr Hans-Dietrich Genscher, Germany's erstwhile all-but-immortal foreign minister, in the files of East Germany's former Ministry of State Security, the feared Stasi.

However, there is a nice twist to this particular story of the perfidy of the East German secret police.

According to Der Spiegel, Germany's fearlessly investigative and occasionally muckraking weekly magazine, former Stasi officers have passed to the (west) German secret service the devastating information that Mr Genscher was known in the Stasi files as "Tulip".

Or rather... that was the code-name for a purported "collaborator" of the all-powerful East German spy network, deliberately made to look like the long-time leader of the Free Democrats in West Germany.

The magazine does not suggest for a moment that Mr Genscher, whose name has been frequently mentioned as a possible successor to Mr Richard von Weizsäcker as the next state president, was actually a collaborator.

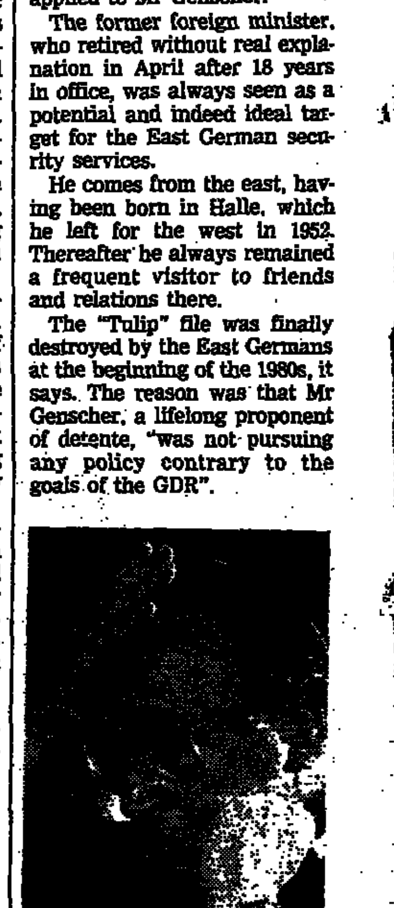
The whole purpose, according to Der Spiegel, was to prepare the ground for a potential campaign to discredit Mr Genscher when the time was ripe.

The file was fleshed out with details from the genuine career of an East German citizen, which were then simply applied to Mr Genscher.

The former foreign minister, who retired without real explanation in April after 18 years in office, was always seen as a potential and indeed ideal target for the East German security services.

He comes from the east, having been born in Halle, which he left for the west in 1952. Thereafter he always remained a frequent visitor to friends and relations there.

The "Tulip" file was finally destroyed by the East Germans at the beginning of the 1980s, it says. The reason was that Mr Genscher, a lifelong proponent of detente, "was not pursuing any policy contrary to the goals of the GDR".



Genscher: target of planned Stasi campaign

Fire threat to N-arms doubted

By Robert Taylor in Stockholm and Leyla Boulton in Moscow

FEARS that forest fires in Latvia might threaten Russian nuclear bases were being played down yesterday by Swedish experts who have been assessing the situation.

The fires, following two months of hot, dry weather, affect three main areas, one of them Garkaune, where ammunition dumps of the former Soviet army lie.

Latvia's defence minister, Mr Talav Junzis, had said it was conceivable that nuclear warheads could be under threat from the blazes. But the Swedish experts questioned whether there were any nuclear weapons in the former Soviet republic. Mr Tor Larsson, an expert on nuclear weapons, said that even if some nuclear weapons were stockpiled there he doubted whether the fires would threaten them.

He pointed out that nuclear weapons are stored under the ground and would never become hot enough through the concrete and earth to explode. "It would need a temperature of over 1,000 degrees", he said.

The Russian government's official position is that all tactical nuclear weapons have been withdrawn from the Baltics and other outlying republics, leaving only Belarus, Ukraine and Kazakhstan in possession of strategic nuclear weapons.

In Latvia, the prime minister's secretary said the country expected imminent help from Finland and Sweden to help put out the fires.

Britain targets EC spending

By Andrew Hill in Brussels

BRITAIN has invited its Community partners to go back to basics in assessing the European Commission's proposed five-year budget plan.

Mr Norman Lamont, UK chancellor of the Exchequer, has sent his EC counterparts a letter asking them to consider the Commission's package from a strict financial perspective; to compare the one-third revenue increase requested by Brussels with individual member states' growth forecasts.

In Brussels today Mr Lamont will chair the first meeting of finance ministers under the British presidency of the EC. It will also be the first time the "Delors II" package of budget proposals has been discussed at this level since EC leaders' inconclusive debate at last month's Lisbon summit.

Further discussion of binding rates of value added tax and excise duty – on which finance ministers nearly reached agreement two weeks ago – has been postponed until September, because some ministers cannot attend today.

In his letter, the chancellor has also asked ministers to consider whether the cost-effectiveness of existing EC spending justifies a substantial increase in future expenditure.

"As finance ministers they would no doubt expect a lot of attention to be paid to the scope for offsetting savings from existing programmes," said a senior British official last week.

Budget debates in the first half of the year have already opened deep divisions between rich member states – led by Britain and Germany – and poorer countries, over the extent of "cohesion" funding for the latter.

Britain, which will have to search for a compromise during its presidency, wants to intensify the role of finance ministers in considering the budget proposals. But at Lisbon, other leaders made clear to Mr John Major, UK prime minister, that foreign ministers would take the lead in the budget discussions.

Britain expects the period from July to the end of September will be spent analysing "Delors II". The presidency has submitted an 85-point questionnaire on the plan to senior national officials in Brussels to help the discussion. According to British officials, the debate will become more political at meetings of foreign and finance ministers in October and November, in the hope of reaching an agreement at December's Edinburgh summit.

French promised corruption curbs

By Ian Davidson in Paris

NEW LEGISLATION to prevent political corruption will be put forward in the autumn, Mr Pierre Bérégovoy, the French prime minister, announced at the weekend at the Socialist party congress in Bordeaux.

His move followed a newspaper report last Thursday that Mr Henri Emmanuelli, the Socialist president of the national assembly, was to be charged with political corruption, allegedly in connection with the long-running investigation into previous illicit financing methods of the Socialist party.

The report, carried in Le Monde, has not been confirmed by any official source. But the story has acquired a political life of its own, and has caused alarm across the French political spectrum.

Many politicians, from right as well as from left, have deplored a story which, if true, must be a damaging leak in the confidentiality of the judicial investigation system conducted by the *juges d'instruction*. Mr Jean Auroux, leader of the Socialist group in the national assembly, has called for urgent reform of the system.

But there is also concern among some politicians, and not just Socialists, that the newspaper report may be an indication of something resembling a politically motivated campaign by part of the French magistracy against the Socialist party.

Some Socialists have not hesitated to denounce the timing of the leak as a deliberate attempt to destabilise the party just before its congress and the long summer holidays.

Mr Bernard Stasi, a leading member of the Centrist party, has commented: "The judges must not engage in a vendetta with the politicians." And Mr André Lajoinie, the Communist leader, has denounced the "unhealthy climate" created by "the threat of charges against politicians".

The Le Monde story was not specific on the nature of the charge, and indicated that Mr Emmanuelli's interview would not take place until next month.

Mr Renaud van Ruymbeke, the investigating magistrate based in Rennes, has denied any political ulterior motive in the case. But he has also declined to confirm or deny the substance of the Le Monde report, and he has now gone on holiday for a month.

The report did not make clear whether Mr Emmanuelli was supposed to be charged for illicit party financing or for personal corruption.

It is widely believed that the Socialist party was in the past involved in illicit money-raising schemes, and Mr Emmanuelli makes no attempt to deny it; since he was treasurer of the party from July 1988 to January 1992, he must be formally responsible. But he might be covered by the political amnesty designed to clear the decks for new, tighter party financing laws.

A charge of personal enrichment would be much more serious, and could lead to imprisonment. To counter any such innuendo, Mr Emmanuelli has written to the Justice Ministry asking for a preliminary inquiry into his personal finances.

Many of his party colleagues have publicly declared their faith that Mr Emmanuelli could not be guilty of any personal enrichment.

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'Dove' to seek Mideast talks breakthrough

Rabin names Peres as foreign minister

By Hugh Carnegy in Jerusalem

MR YITZHAK RABIN yesterday appointed Mr Shimon Peres, a former premier and long-time political "dove", as foreign minister in the new Israeli Labour-led coalition, which seeks an early breakthrough in Middle East peace talks. The new government, with Mr Rabin as premier, is due to be officially endorsed at a session of the Knesset this afternoon, following Labour's June 23 general election victory. Labour, with its commitment to territorial compromise, replaces the hardline Likud party, which has been in government for 15 years.

Years of often bitter personal rivalry did not prevent Mr Rabin from offering the post of foreign minister to the highly experienced Mr Peres, whom he ousted as Labour leader earlier this year. Mr Peres's approach to the peace talks is much less cautious than that of Mr Rabin. But the new prime minister, who will also be defence minister, is to keep direct control over pivotal negotiations with the Palestinians on an interim agreement on self-rule in the occupied West Bank and Gaza Strip. Mr Peres will have responsibility for the parallel multilateral talks with Arab countries.

Peres: new appointments

Mr Rabin appointed as finance minister Mr Avraham Shochat, a Labour stalwart and former chairman of the Knesset finance committee, who in recent weeks stressed Labour's switch from traditional socialist economic policies to market reforms. Labour gave three lower-scale ministries to Meretz, the alliance of pro-peace parties that is its main coalition partner, and one to Shas, the ultra-orthodox religious party which is the third partner. Together with support from two Arab parties, the coalition is assured of a comfortable majority. But Mr Rabin is still hoping to bring in a second religious party and Tsomet, a right-wing group.

Mr Rabin's priorities are to mend relations with the US, to speed the peace talks, and stimulate economic growth to combat record unemployment, bloated by mass immigration from the former Soviet Union. He hopes to travel to the US by early August to see President Bush. Peace talks, which Mr Rabin wants to move into continuous session, are likely to resume in Rome by September.

Mr Rabin is anxious to secure $10bn (£5.2bn) in US loan guarantees to aid immigrant absorption, withheld by Washington because Likud refused to freeze Jewish settlements. Mr William Harrop, US ambassador in Israel, said he hoped the new government's policies would make the release of some guarantees possible. But the issue is by no means resolved. Mr Rabin has been careful not to promise a complete settlement freeze, though he favours a freeze on what he calls "political" settlements. Mrs Hanan Ashrawi, Palestinian spokeswoman, yesterday warned the US not to ease the terms it originally attached to the guarantees.

Mr Rabin regards the guarantees as vital to revitalising the economy. Mr Harrop cautioned the new government not to regard them as a panacea, saying it must push on with liberalising the economy.

S African protest campaign speeds up

By Michael Holman in Johannesburg

SOUTH AFRICA'S "mass action" campaign gathers momentum today when trades union leaders are due to hold a protest march on government offices in Pretoria.

Police have given permission for the march, seen as an important test for both sides in a tense political climate, and in the run-up to the United Nations Security Council debate this Wednesday.

Labour leaders and their allies will be looking for a turnout that would give credence to the "mass action" campaign designed to force President F.W. de Klerk to concede an early transfer of power to the country's black majority. The government will want to show that it can keep control of the streets while allowing dissent.

The march is organised by the Congress of South African Trade Unions (Cosatu), the country's most powerful labour federation, and supported by the African National Congress (ANC) and the South African Communist party (SACP).

Mr Nelson Mandela, the ANC president, is in New York, where he and other political leaders, including Mr Pik Botha, the South African foreign minister, will address the UN Security Council.

Mr Botha, in a speech over the weekend before flying to New York, said the government wished to discuss the ANC's grievances. But he went on: "I hope they will also realise that without power sharing there will be no peace."

Sheikh 'wanted BCCI control'

Mark Nicholson and Richard Donkin on how the bank was helped

SHEIKH Khalid Bin Mahfouz, whose family controls the National Commercial Bank (NCB) of Saudi Arabia, planned to gain control of the Bank of Credit and Commerce International during the mid-1980s, according to court documents filed in the US by the Federal Reserve Board.

The documents, filed in a series of actions that have led to the freezing of the sheikh's US assets and a $170m (£89m) fine, show the extent to which, according to the Fed, Sheikh Khalid helped to prop up the ailing BCCI when it was facing a liquidity crisis. They also show how the sheikh's apparent co-operation enabled BCCI to dilute some of its worst debts using depositors' money, thereby appeasing its auditors.

Negotiations on the takeover plan were held with Mr Agha Hasan Abedi, BCCI's founder, in the spring of 1986, according to the documents. When the talks reached an impasse, Sheikh Khalid was persuaded to settle for the acquisition of 30 per cent interests in both BCCI and in CCAH, the holding company of First American Bankshares. This would give him holdings in BCCI roughly equal to those of the ruling family of Abu Dhabi, the largest shareholder.

Sheikh Khalid struck a deal that would give him the shareholdings for something over $1bn. According to the documents, "Mahfouz regarded his purchase of both CCAH and BCCI shares as a single transaction." The holdings were acquired through a series of deals and arrangements designed to help BCCI overcome its financial problems.

The deals were arranged because the bank was not ready to issue new shares or capital notes and Sheikh Khalid was unwilling to inject new capital without them.

In the first of these arrangements, he agreed to borrow $270m from BCCI's Bahrain branch, secured only by the as-yet-unissued shares and notes. Against the loan he deposited the same amount in BCCI, thereby helping to improve the bank's liquidity. Mr Haroon Rashid Kahlon, one of his assistants, working with a firm of lawyers, drew up the procurement deed for the shares, to be held by five Bermuda companies all owned by Sheikh Khalid. In the deed the shareholdings were to be sold over three years.

> While the NCB itself may have been a loser as a result of the deals, the Fed contends Sheikh Khalid made a personal financial gain from the episode of $120m.

The first tranche of CCAH shares acquired by Sheikh Khalid was bought for $135m in July 1986 from Sheikh Hamad bin Mohammed al-Sharqi, the ruler of Fujeirah, one of the United Arab Emirates. The ruler had given Mr Abedi and Mr Swaleh Naqvi, BCCI's chief executive officer, power of attorney over his CCAH shares held in a company called Mashriq.

Sheikh Khalid had transferred a further deposit of $485m to his own account at BCCI, adding to the earlier $270m. Both payments were recorded on the books of NCB as an NCB deposit at BCCI in London. When the procurement deed was executed, Mr Khalon directed four separate disbursements: $300m for BCCI Holdings capital notes; $183m to repay the loan from BCCI Bahrain; $135m to the account of Wabel Pharaon at BCCI, the brother of Ghaith Pharaon, a Saudi businessman (paid as consideration for Pharaon-held shares in BCCI); and $135m for the CCAH shares.

The following September NCB paid $256m for a further tranche of CCAH shares, giving him a 28.7 stake in the holding company. The same month NCB transferred $160m to BCCI to buy 4m shares in BCCI Holdings. The CCAH transaction later appeared on NCB's books as two loans, one to Mashriq and one to Faisal Saud Al-Fulaij, a Kuwaiti businessman. The Fed contends these were sham loans used to shield Sheikh Khalid's CCAH holding from US regulators.

By April 1987 Sheikh Khalid was told by NCB's external auditors that the bank could no longer account for the $755m purchase of BCCI and CCAH securities merely as a deposit with BCCI and must show it as a share purchase. In response Sheikh Khalid directed that the amount should be re-characterised, partly as a loan to his wife and children and partly as an investment by NCB in BCCI capital notes.

Later the same month Sheikh Khalid told Mr Abedi he wanted to divest his holdings in BCCI and CCAH, for which he had negotiated a buy-back agreement. The BCCI shares were all sold to ICIC Overseas, the Cayman-based BCCI affiliate. The Fed says that while he insisted in disposing of his holding, he agreed to keep his decision a secret and to remain as a director of BCCI until July 1989.

By the time the Bank of England moved to close down BCCI in July 1991, Sheikh Khalid was no longer a BCCI shareholder but NCB was still holding $330m of virtually worthless capital notes from BCCI. While the NCB itself may have been a loser as a result of the deals, the Fed contends Sheikh Khalid made a personal financial gain from the whole episode of $120m. The documents also outline other occasions where Sheikh Khalid used NCB funds to get BCCI out of trouble when BCCI faced concerns from auditors.

Sheikh Khalid, who resigned last week as chief operating officer of NCB to fight the charges, has called them "unwarranted and ill-advised". In a statement last week he said that "at all times I acted on advice and with the assistance of respected legal counsel to ensure that I complied with US laws and regulations in regard to my investments in BCCI and First American".

The sheikh said he had voluntarily met all officials he was asked to, had been "forthright" in answering their questions and supplied them with "thousands of pages" of documents. "The ill-founded allegations made against me are based on forged documents and the actions of others. Further, they are based on unreliable, and possibly even compromised, witnesses." The bank itself also called the charges "devoid of any substance" and denied NCB at any time owned or bought any shares in CCAH.

NEWS IN BRIEF

Algerian Moslem leaders sent for trial

THE two paramount leaders of Algeria's major Moslem fundamentalist party, the Islamic Salvation Front (FIS), were committed to trial yesterday at the military court in Blida, south of Algiers, writes Francis Ghilès.

Mr Abassi Madani, 61, and Mr Ali Benhadj, 35, face the death penalty if convicted on charges alleging conspiracy against the state.

They, five other FIS officials and their lawyers, walked out of the court after failing to obtain permission for the trial to be transferred to a civil court. Foreign journalists were banned, as they were two weeks ago when the trial was initially due to start.

Mr Madani and Mr Benhadj, who was renowned for his fire-and-brimstone speeches, were arrested in June 1991 after FIS-led riots protesting against alleged constituency gerrymandering stalled plans for Algeria's first multi-party elections.

Jordan-Germany loan agreements

Germany and Jordan signed two agreements yesterday under which debt-burdened Amman will get DM37m (£12.7m) in commodity loans to support the country's trade balance, Reuter reports from Amman.

An embassy spokesman said under the first accord, Amman would get DM32m to cover imports of vital commodities needed for civilian use, excluding luxury or military goods. Under the second agreement, Jordan will get DM5m to finance imports needed by Jordan's agricultural sector.

Jordan is among the recipients of the largest per capita amount of German aid. Amman has received a total of DM1.63bn, most of it in financial aid, since a bilateral economic co-operation programme began in 1955.

Malawi democracy call

Freed opposition leader Chakufwa Chihana said yesterday he would continue campaigning for democracy in Malawi even if it meant a death sentence for sedition, AP reports from Lusaka.

Mr Chihana, 52, head of the opposition Democratic Alliance, was released on bail after being held for three months without charge. He was arrested when he returned home from a conference in Zambia at which he called for a pro-democracy congress in Malawi.

Patten urges progress on airport

Mr Chris Patten, Hong Kong's new governor, yesterday called for an end to the disagreements over the colony's new airport and underlined the need to move ahead with the project "as soon as possible", agencies report.

"It is not in the interests of the UK government in particular to build the airport, though we want to do what is best for Hong Kong," he said. "It is above all in the interests of the future of Hong Kong and in the interests of the whole of China, particularly southern China." During an interview with the BBC, Mr Patten also pledged to study ways to "broaden and deepen" democracy in the colony.

Two lead race to be president of India

By Shiraz Sidhva in New Delhi

THE Indian parliament today elects the nation's ninth president to succeed Mr Ramaswami Venkataraman, whose five-year term ends on July 24. Over 4,500 parliamentary representatives will vote.

The contest is largely a two-man race between Mr Shankar Dayal Sharma, India's vice-president, the favourite to win and the ruling Congress (I) party nominee, and Mr George Gilbert Swell, the opposition-sponsored candidate. Mr Ram Jethmalani withdrew on Saturday. The only other candidate is Mr Joginder Singh, sponsored by a group of legislators.

The contest is the culmination of a new phase of Indian politics. The presidential debate has broken the opposition ranks, and radically altered the agenda of the main opposition parties.

The Communist party of India (Marxist) did not bow to pressure from its allies, the National Front, and has decided to support the ruling party candidate. This has left the right-wing Hindu Bharatiya Janata party in uncomfortable alliance with the National Front, to support the opposition candidate.

This regrouping is seen as an indication the opposition is reactivating itself to pressure the ruling party. It could undermine the influence of Prime Minister Narasimha Rao. India's new president will be announced on July 25. The ruling party candidate has always had an edge over the opposition candidate. The Indian presidency, can be highly influential in times of turmoil.

World steel output and use 'to fall for third year running'

By Andrew Baxter

WORLD production and consumption of steel will fall in 1992 for the third year running, but the decline will be checked by a second-half recovery in some economies, according to the Organisation for Economic Co-operation and Development.

WORLD STEEL INDUSTRY (millions of tonnes)

	1990	1991	1992*
Consumption:			
OECD countries	325.7	308.3	304.2
World	645.5	615.7	606.8
Crude production:			
OECD countries	382.5	367.2	362.7
World	770.2	731.9	723.2
OECD countries trade balance	−12.3	−18.2	−17.4
OECD capacity utilisation rate (%)	79	76	76

Source: OECD. *OECD forecast

The OECD's forecast for 1992 is further evidence of the worldwide recession in the steel industry, which many producers are saying is the worst and most protracted on record.

Prices in the European Community have been falling in recent weeks after increases earlier in the year, and most analysts do not expect any substantial recovery in steel demand until next year.

The OECD forecast offers some solace to hard-pressed producers. World steel demand is forecast to fall 1.5 per cent this year to 606.8m tonnes, after a steeper 4.6 per cent decline in 1991.

The main problem is in Japan, the world's biggest consumer of steel, where the OECD expects demand to fall 10.6 per cent to 83.2m tonnes, from a record 93.1m tonnes in 1991.

Another big decline is expected in the former Soviet Union, where consumption will fall 8.7 per cent to 89.7m tonnes after a 12.9 per cent drop in 1991.

US demand is expected to rise 4.7 per cent this year to 78.5m tonnes, a significant turnround from the 12.6 per cent fall recorded in 1991, and sign of a slow recovery in US manufacturing industry.

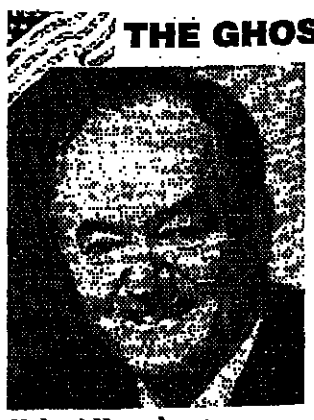
World steel production is expected to decline more slowly this year, falling 1.2 per cent to 723.2m tonnes, after a 5 per cent fall in 1991.

Once again, the biggest fall will be in Japan, where production is expected to drop by 8.2 per cent to 100.7m tonnes.

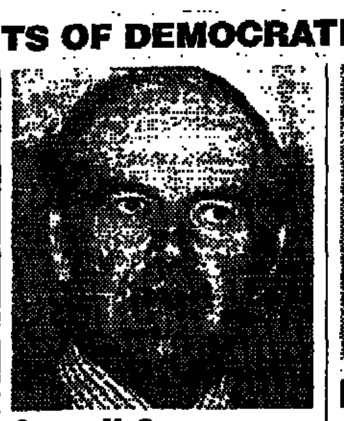
Clinton tops in the team spirit stakes

By George Graham in Washington

THE GHOSTS OF DEMOCRATIC CONVENTIONS PAST



Hubert Humphrey
1968 Chicago
With battle raging in Vietnam and outside the convention hall, Vice-President Humphrey won the nomination from Senators Eugene McCarthy and George McGovern. He lost the general election to Richard Nixon.

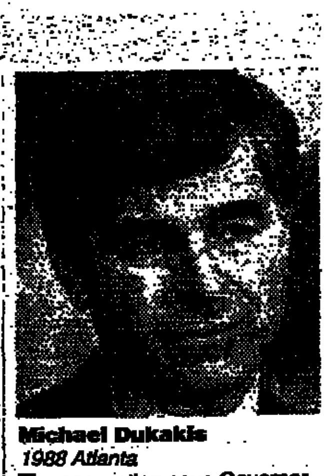


George McGovern
1972 Miami Beach
After drafting extensive changes in the Democratic party's selection rules, McGovern won the nomination but lost in a Nixon landslide.

Jimmy Carter
1976 New York
In the wake of Watergate, Carter, then a little known Southern governor, won the nomination and went on to beat President Gerald Ford.

Jimmy Carter
1980 New York
After a tough primary campaign, President Carter won the nomination but had to give way to his challenger, Senator Edward Kennedy, on much of the party's election platform. Carter lost to Ronald Reagan.

Walter Mondale
1984 San Francisco
Former vice-president Mondale won the nomination from Jesse Jackson and Senator Gary Hart, and picked Geraldine Ferraro as his running mate. The Democratic team was again no match for Reagan.



Michael Dukakis
1988 Atlanta
The convention gave Governor Dukakis a big lead over Vice-President George Bush in opinion polls, but by November it had evaporated.

THE Democratic party convention has not needed more than a single ballot to choose its presidential nominee since 1956, and this year's convention in New York will be no exception.

But Governor Bill Clinton of Arkansas, the winning candidate, appears to have done a better job than his predecessors of quelling any dissonant voices that could have upset a show of Democratic unity behind his candidacy.

Mr Clinton, with the backing of 2,565 of the 4,288 convention delegates, has had to make remarkably few concessions to his opponents, either on the content of the party platform or on the roster of speakers for the four-day gala at Madison Square Garden.

"This will be more unified than any convention I've been to in recent years... This is going to be Bill Clinton's convention," says one Democratic party activist now working for the Clinton campaign.

Some of the Arkansas governor's critics within the party have been strong-armed into a display of team spirit – such as Governor Mario Cuomo of New York, who has agreed, at the urgent behest of Mr Ron Brown, the party chairman, to make the formal nominat ion speech on Wednesday night.

Mr Paul Tsongas, Mr Clinton's strongest challenger during the primaries, has agreed to endorse his rival in exchange for a chance to speak to the convention on behalf of his pro-business economic policies.

Others have been kept off the speaking list altogether, notably former Governor Jerry Brown of California, whose rebellious primary campaign won him 613 delegates.

Mr Brown's supporters hope to raise a challenge with a procedural vote on the convention rules, but Clinton supporters are dismissive.

Mr Jesse Jackson, who has endorsed Mr Clinton but has spent the last week sulking on television because no-one will treat him with the respect he feels he deserves, could pose more of a problem. His convention speech has, however, been relegated to Tuesday night, when it seems likely to receive less attention than the simultaneously broadcast All Star baseball game.

Perhaps the biggest challenge for Mr Clinton will be to come up with an acceptance speech on Thursday that is not eclipsed by the oratory that has gone before. The Democrats have lined up all their most talented speakers: from the acerbic wisecracks of Governor Ann Richards of Texas and the intense eloquence of former Representative Barbara Jordan, to the emotional uplift of Mr Cuomo.

Mr Clinton's last convention speech, nominating Governor Michael Dukakis in 1988, has gone down in the Democratic party annals as one of the dullest of all time, but he can be more exciting.

The party platform, meanwhile, shows the marks of Mr Clinton's moderate supporters, many of them drawn from the Democratic Leadership Council, a mostly southern grouping that has set about drawing the party towards the centre.

Calling for "a New Covenant to repair the damaged bond between the American people and their government", the platform includes many traditional liberal Democratic themes, such as urban investment, abortion rights, affirmative action in favour of minorities, public support for the arts, and a limited amount of gun control.

However it also marks a shift away from government interventionism in its rhetoric on economic policy – although not as far as Mr Tsongas would have liked.

"An expanding, entrepreneurial economy of high-skill, high-wage jobs is the most important family policy, urban policy, labour policy, minority policy and foreign policy America can have," the platform states.

"We reject both the do-nothing government of the last 12 years and the big government theory that says we can hamstring business and tax and spend our way to prosperity."

Perhaps as important, it contains a significantly tougher anti-crime plank than recent Democratic platforms, remedying a weakness that the Republicans have gleefully exploited for decades.

Democratic leaders hope the party platform and the selection of Senator Albert Gore of Tennessee – a southerner very similar to Mr Clinton in age, views and style – will help to signal to voters that the Democrats are now a moderate party representing middle-class Americans, not left-wing interest groups.

Even some of Mr Clinton's opponents acknowledge that this is likely to be a more winning electoral recipe than the left wing coalition of recent elections.

Mr Clinton's campaign has already broken out of the doldrums that becalmed it this spring, when every step and every statement seemed to strengthen his image as another slithery politician.

Yet he has not succeeded in putting these doubts about his character wholly behind him, and is still no better in opinion polls than level pegging with President George Bush and Mr Ross Perot, the Texas billionaire.

A united convention and an inspired acceptance speech could lift Mr Clinton by 10 percentage points in the opinion polls, according to one of his campaign advisers. While this lead would clearly dwindle in August, they say, it does not have to disappear entirely – as Mr Dukakis's even larger edge did in 1988.

Delegates look back longingly to 1976

Supporters are hoping Clinton can repeat Carter's success, writes **Patrick Harverson**

THIS week's Democratic convention in New York is the fourth time the party has come to the Big Apple for its election year get-together, and delegates are hoping it will prove a repeat of 1976, when another little-known governor of a poor southern state arrived to accept the party's presidential nomination.

On that occasion, Mr Jimmy Carter went on to win the White House from a sitting Republican president, a feat fellow-southerner Governor Bill Clinton would love to emulate.

Mr David Dinkins, New York's mayor, also hopes for a reprise of 1976. At the time, the city was recovering from a severe fiscal crisis, and the convention proved a big psychological lift for New York and a minor boon for its economy.

This year the city is also struggling to overcome a financial emergency, but Mr Dinkins is confident the convention will breathe fresh life into the ailing local economy.

He estimates that the press coverage of the event will be worth the equivalent of $200m (£105m) in advertising expenditure (although he makes a big assumption that all the coverage will be positive about New York, which it won't).

In addition, the mayor estimates that $190m will eventually be spent on preparations for the event and $110m by the convention during the week itself. On top of that, as much as $175m will come in from the general increase in economic activity around the convention centre and the city, and another $27m is expected from tax revenues.

If the figures are anywhere near correct, New York should be left with a handsome profit. The cost of hosting the convention is $21m, almost all of it paid for by the city.

It is interesting to compare how the Texas city of Houston is financing the costs of hosting the Republican convention next month. It has raised part of the $10m estimated costs from private sources. The rest, however, is coming from a most un-Republican source – a (read my lips) tax increase.

A large part of New York's $21m outlay will be spent on security, and calming the fears of the thousands of out-of-towners attending the convention. No fewer than 2,400 police officers will patrol Madison Square Garden during the week, and their overtime will alone cost more than $6m.

The area surrounding the convention venue has been cleared of drug dealers, pimps and prostitutes, and the Department of Consumer Affairs will be issuing warnings to visitors about street con artists.

Private enterprise, meanwhile, should fill any gaps in security. One (probably Republican) businessman who owns a gun-permit service in Queens plans to rent bullet-proof vests to delegates for $10 a day while handing out a friendly little pamphlet called "Welcome to Fear City".

Although New York officials deny it, pressure groups have complained that large numbers of homeless people have been cleared from the streets around the Garden in time for the convention.

Even if the area was being "tidied" up for delegates, the vast army of homeless in New York will not be totally ignored this week. Mr Jerry Brown plans to eschew the comforts of a flashy midtown hotel and spend his nights in a city shelter for homeless; the Coalition for the Homeless will hold a nightly candelight vigil; and there will be an "Unconvention Sleep-In" in Central Park.

Other alternative events include an Unconventionals Crash the Convention Concert organised by local anarchists, the Reverend Al Sharpton's Black Agenda March, a No Police State March, and an Unconventional Smoke-In at Washington Square to campaign for legalised marijuana. One wonders if Governor Bill Clinton, a self-confessed marijuana user (but not inhaler) will attend.

Finally, a note about media overkill. While there will be 4,928 Democrat delegates attending the convention this week, organisers have arranged accreditations for 15,000 journalists. That's three hacks for every one delegate. No excuse, then, for any missed stories.

Anti-apartheid leader Nelson Mandela will attend the Democratic National Convention on Wednesday as a guest of party chairman Mr Ron Brown, Reuter reports.

Political observers speculated that Mr Mandela's appearance at the convention might be a pointed rebuke to President George Bush for not putting pressure on South Africa's government to help end their dispute over violence in black townships.

Mr Mandela had been scheduled to visit New York and address the United Nations Security Council on Wednesday on the deadlock in South Africa's democracy talks.

Al Gore: delegates hope his similarity to Clinton in age, views and style will help to reinforce the party's moderate image

Cuba to facilitate foreign investment

By Damian Fraser in Mexico City

CUBA's National Assembly has approved changes to the 1976 constitution that would facilitate foreign investment, grant a mandate of direct secret elections for deputies, and permit freedom of religion for the first time since 1959.

The changes, first proposed by October's party congress, will not permit opposition parties, nor allow private ownership of the "fundamental means of production". The government will continue to control prices, wages, and ration basic goods.

The law will allow private, in effect foreign, investment in selected state enterprises, let individual Cuban companies export and import without seeking central government permission, and recognise foreign ownership of property in joint venture deals.

The changes will give what is now common practice greater legal validity. In the past few years Cuba has sought to attract foreign investment to soften the blow of the collapse of trade with the former Soviet Union and eastern Europe.

Foreign companies have invested heavily in tourism, and less so in oil, nickel, biotechnology and light industry. They have tended to form joint ventures with nominally independent Cuban companies, that are nevertheless heavily backed and controlled by the government.

Mr Juan Escalana, president of the National Assembly, told Granma, the official newspaper, that the investment reforms "will demonstrate the will of the state, the government to continue along the path already taken of encouraging investments, negotiations, trade openings, in short to boost our international economic relations".

The direct elections of deputies is intended to make the parliament more responsive to local demands. In the past deputies were chosen by municipal and regional councils, which are dominated by loyal party members.

● On Saturday, Cuba's President Fidel Castro expressed support for a constitutional clause linking economic development and protection of the environment, saying these issues had almost become a new world ideology following last June's Earth Summit in Rio de Janeiro, Reuter adds from Havana.

Mr Castro said Cuba would be the first country in the world to include the linked themes of the environment and development in its national constitution.

INTERNATIONAL ECONOMIC INDICATORS: **BALANCE OF PAYMENTS**

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

UNITED STATES

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	279.8	−174.2	−160.5	0.7623	100.0
1986	230.9	−140.6	−147.8	0.9836	80.2
1987	220.2	−131.8	−138.8	1.1541	70.3
1988	272.5	−100.2	−106.7	1.1833	66.0
1989	330.2	−99.3	−96.5	1.1017	69.4
1990	309.0	−79.3	−72.3	1.2745	65.1
1991	340.9	−52.3	−3.0	1.2391	64.5
2nd qtr.1991	88.8	−11.8	2.0	1.1844	66.4
3rd qtr.1991	89.4	−16.0	−9.4	1.1732	66.5
4th qtr.1991	87.8	−12.4	−5.7	1.2548	63.3
1st qtr.1992	87.3	−11.6	−4.2	1.2623	63.5
June 1991	30.1	−4.0	n.a.	1.1530	67.6
July	30.6	−4.9	n.a.	1.1509	67.6
August	29.3	−5.6	n.a.	1.1758	66.6
September	29.5	−5.4	n.a.	1.1929	65.3
October	30.5	−4.9	n.a.	1.2082	64.6
November	29.6	−3.3	n.a.	1.2568	63.2
December	27.7	−4.3	n.a.	1.2993	62.0
January 1992	27.4	−4.5	n.a.	1.2926	61.9
February	29.8	−2.6	n.a.	1.2634	63.4
March	30.1	−4.5	n.a.	1.2309	65.1
April	29.3	−5.6	n.a.	1.2436	64.8
May			n.a.	1.2676	63.8

JAPAN

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	230.8	76.0	64.5	180.50	100.0
1986	211.1	96.2	86.9	165.11	124.4
1987	197.3	86.1	75.5	166.58	133.2
1988	219.8	80.7	66.6	151.51	147.3
1989	245.3	70.5	52.4	151.87	141.9
1990	220.0	50.1	28.3	183.94	126.0
1991	247.5	83.2	63.0	166.44	137.0
2nd qtr.1991	61.9	20.4	15.9	163.77	135.9
3rd qtr.1991	65.8	23.2	16.6	159.94	136.5
4th qtr.1991	62.9	23.7	18.2	162.38	141.2
1st qtr.1992	64.9	25.9	22.6	162.21	142.2
June 1991	21.7	7.1	4.3	160.88	136.6
July	21.8	7.3	4.3	158.54	138.8
August	21.8	7.8	5.9	160.87	138.2
September	22.1	7.9	6.4	160.42	138.7
October	21.8	8.0	5.6	157.77	142.4
November	20.9	7.4	5.9	162.99	140.9
December	20.3	8.3	6.6	166.37	140.2
January 1992	21.4	7.9	5.6	161.84	143.8
February	21.6	9.3	7.6	161.18	143.3
March	21.9	8.7	9.5	163.61	139.6
April	20.9	7.5	7.5	165.92	138.2
May	20.9	9.4	8.6	165.57	139.7

GERMANY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	*242.8*	*33.3*	*21.7*	*2.2260*	*100.0*
1986	*248.6*	*53.5*	*40.3*	*2.1279*	*108.8*
1987	*254.3*	*56.7*	*39.6*	*2.0710*	*115.3*
1988	*272.6*	*61.6*	*42.9*	*2.0739*	*114.8*
1989	*310.2*	*65.2*	*52.2*	*2.0681*	*113.5*
1990	324.6	51.7	37.0	2.0537	119.1
1991	327.3	11.0	−16.1	2.0480	117.7
2nd qtr.1991	78.5	−0.2	−4.9	2.0545	116.2
3rd qtr.1991	83.5	2.4	−5.0	2.0430	116.5
4th qtr.1991	84.0	5.8	−1.8	2.0382	118.5
1st qtr.1992	83.0	2.7	−4.3	2.0422	118.8
June 1991	26.0	−0.1	−2.0	2.0532	115.8
July	27.5	0.0	−2.7	2.0524	115.8
August	28.9	2.1	−1.6	2.0514	116.5
September	27.2	0.2	−0.6	2.0253	117.1
October	27.3	1.5	−1.5	2.0417	117.1
November	29.0	1.9	0.9	2.0406	118.6
December	27.8	2.4	−1.3	2.0325	119.9
January 1992	26.9	−0.4	−3.2	2.0365	119.3
February	27.7	1.1	−0.9	2.0443	118.6
March	28.5	1.9	−0.2	2.0456	118.4
April	29.5	2.5	−0.9	2.0483	118.6
May			−2.0	2.0551	118.4

FRANCE

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	133.4	−3.6	−0.2	6.7942	100.0
1986	127.1	0.0	3.0	6.7946	102.8
1987	128.3	−4.6	−3.7	6.9265	103.0
1988	141.9	−3.9	−3.4	7.0354	100.8
1989	162.9	−6.3	−3.6	7.0169	99.8
1990	170.1	−7.2	−7.2	6.9202	104.8
1991	175.3	−4.3	−4.7	6.9643	102.7
2nd qtr.1991	43.3	−1.3	−1.1	6.9588	102.0
3rd qtr.1991	44.9	−1.3	−0.6	6.9441	101.8
4th qtr.1991	44.9	0.3	0.4	6.9598	102.8
1st qtr.1992	45.3	0.8	−1.1	6.9492	103.4
June 1991	14.3	−0.60	−0.21	6.9657	101.5
July	15.1	−0.53	−0.50	6.9671	101.4
August	14.7	−0.40	0.34	6.9717	101.8
September	15.1	−0.36	−0.51	6.8935	102.2
October	15.5	0.67	0.86	6.9609	101.9
November	15.0	−0.00	−0.14	6.9735	102.8
December	14.3	−0.38	−0.31	6.9451	103.7
January 1992	14.9	0.51	−0.14	6.9476	103.6
February	14.9	0.08	−0.00	6.9572	103.3
March	15.4	0.22	−0.98	6.9429	103.4
April	15.8	1.09	0.16	6.9274	103.9
May	15.0	0.65		6.9090	104.5

ITALY

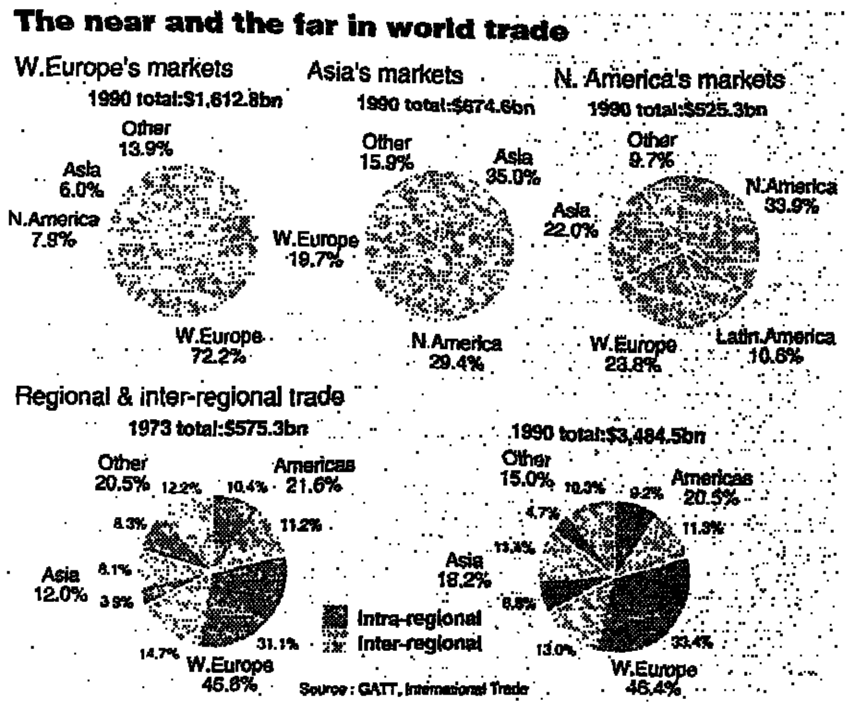
	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	103.7	−16.0	−5.4	1443.0	100.0
1986	99.4	−2.5	−1.4	1461.6	101.4
1987	100.7	−7.5	−2.1	1494.3	101.2
1988	108.3	−8.9	−8.0	1536.8	97.8
1989	127.8	−11.3	−14.0	1509.2	98.6
1990	133.6	−9.3	−19.4	1523.2	100.6
1991	137.0	−10.5	−28.0	1531.3	98.9
2nd qtr.1991	35.5	−3.4	−6.9	1524.6	98.6
3rd qtr.1991	31.9	−1.7	−5.5	1525.4	98.1
4th qtr.1991	37.3	−1.2	−8.3	1533.8	98.8
1st qtr.1992	34.3	−5.1	−7.6	1535.7	99.0
June 1991	12.7	0.3	−2.1	1526.5	98.2
July	13.2	0.1	−2.2	1529.2	97.9
August	7.6	0.2	−0.4	1533.0	98.0
September	11.1	−2.0	−2.8	1513.9	98.5
October	13.1	−0.9	−2.6	1526.5	98.5
November	11.1	−1.6	−2.5	1537.6	98.7
December	13.1	1.2	−3.3	1537.4	99.1
January 1992	10.7	−2.0	−3.2	1534.9	99.1
February	11.4	−1.4	−2.2	1535.6	99.0
March	12.1	−1.6	−2.1	1536.7	98.8
April	11.7	−1.2	−3.9	1542.0	98.6
May	11.5	−1.9	−3.4	1546.6	98.5

UNITED KINGDOM

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	132.4	−5.7	4.9	0.5890	100.0
1986	108.3	−14.2	0.3	0.6708	91.6
1987	112.3	−18.4	−5.9	0.7047	90.1
1988	120.9	−32.5	−23.4	0.6643	95.5
1989	137.3	−36.6	−30.3	0.6728	92.6
1990	142.7	−26.0	−22.5	0.7150	91.3
1991	146.1	−14.4	−7.4	0.7002	91.7
2nd qtr.1991	37.4	−3.2	−0.5	0.6939	91.4
3rd qtr.1991	38.0	−3.4	−1.6	0.6958	90.7
4th qtr.1991	37.2	−3.6	−2.0	0.7069	90.9
1st qtr.1992	36.8	−4.3	−3.7	0.7125	90.6
1991 June	12.9	−0.6	0.34	0.6984	90.2
July	12.7	−0.9	−0.30	0.6964	90.3
August	13.0	−1.2	−0.58	0.6987	90.7
September	12.4	−1.3	−0.68	0.6924	91.0
October	12.3	−1.3	−0.73	0.7014	90.5
November	12.3	−1.3	−0.82	0.7076	91.0
December	12.6	−1.0	−0.46	0.7116	91.2
1992 January	11.6	−1.6	−1.43	0.7131	90.8
February	12.6	−1.4	−1.22	0.7105	90.9
March	12.5	−1.2	−1.05	0.7141	90.1
April	12.5	−1.9	−1.63	0.7076	91.4
May	13.1	−1.2	−0.92	0.7000	92.8

All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges) German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

The near and the far in world trade



How regional trading blocs can damage world trade

AT THEIR summit last week in Munich, the leaders of the Group of Seven leading industrial countries failed to give any impetus to the Uruguay Round of multilateral trade negotiations. Some, notably in the US, will shout even more loudly: "Global multilateralism is dead: long live regional trading arrangements."

Whether regional blocs are in the interests of those who create them can be questioned. Still more questionable, however, is whether regional trading arrangements are an alternative to global multilateralism. If anything, regionalism makes the case for the global multilateral system even more cogent.

What is certain is the growing importance of regional discrimination. The World Bank's latest study of global economic prospects shows that 41.4 per cent of world trade fell within existing regional trading arrangements in 1988 and another 4.9 per cent of world trade within potential new arrangements, such as those between the EC and eastern Europe, and the US and Mexico.(1) Even if trade within the European Community is excluded as now being like trade within one country, 24.8 per cent of world trade falls within existing arrangements and 6.3 per cent more in potential new arrangements.

Whether regional arrangements are in the economic interest of the participants depends on the extent of trade creation, as opposed to trade diversion. Trade creation occurs when high-cost domestic producers are replaced by lower-cost producers in the regional partner. Trade diversion occurs when lower-cost external suppliers are replaced by higher-cost suppliers in the regional partner.

Clear *a priori* rules cannot be derived for when a given arrangement will generate beneficial trade creation rather than harmful trade diversion: As the distinguished international economist, Jagdish Bhagwati, argues, geographical proximity is not a sufficient condition.(2)

Whether or not regional arrangements may benefit their participants, such arrangements cannot be an alternative to multilateralism. As the chart shows, roughly half of world trade was among broadly defined regions in 1990, not within them. Despite the onward march of regionalism, the proportion of inter-regional trade has declined little since 1973.

The only region of the world for which intra-regional trade has looked like a realistic trade strategy is western Europe, where a number of medium to small countries send almost three-quarters of their exports to one another. For North America and Asia, however, markets outside the region account for some two-thirds of total exports. To sacrifice those markets to regional ones would be folly.

Not only is multilateral trade hugely important, but the drift to regionalism makes global rules still more essential.

As Professor Bhagwati notes, new forms of protectionism, such as anti-dumping and voluntary export restraints, as well as the protectionist use of local content requirements make trade diversion more likely. Global disciplines are needed, therefore, to make regional arrangements less damaging not merely to outsiders, but even to their participants.

Will regionalism undermine globalism? A recent study of regionalism from the International Monetary Fund argues that "beyond a certain threshold an undue emphasis on regionalism would undercut the multilateral trading system and render it inoperative."(3) If the authors are right, regionalism makes globalism more essential, but simultaneously enfeebles it. This is no cause for celebration.

Martin Wolf

(1) Global Economic Prospects and the Developing Countries 1992 (Washington D.C.: World Bank, 1992) Table 2-13; (2) Jagdish Bhagwati, Regionalism and Multilateralism: an Overview, Columbia University Discussion Paper No 603, Department of Economics, Columbia University, New York 10027; (3) Augusto de la Torre and Margaret R Kelly, Regional Trade Arrangements, Occasional Paper 93 (Washington DC: International Monetary Fund, March 1992).

Albania pays dearly for a new economy

By Kerin Hope, recently in Tirana

THE sight of elderly women in white headscarves using sickles to harvest Albania's wheat crop says much about the country's continuing problems of food production.

After three years of drought and another of political and economic upheaval, the transition from Stalinist self-sufficiency to a market economy is being slowed by acute shortages of basic commodities, from flour and sugar to soap and writing paper.

Last week's attempted exodus to Italy by thousands of Albanians followed the announcement of harsh economic reforms in accordance with an IMF adjustment programme due to take effect next month. These include abolition of wage subsidies and price controls on most goods, though a price ceiling will be imposed for bread, cooking oil and sugar.

Dr Abdyl Sinani, a senior official in the industry and food ministry, says: "The government view is that it will be another three years before we get back to our standard of living in 1989" – the last year before communism started to crumble.

This year, wheat production will amount to only 250,000 tonnes, half last year's output and 700,000 tonnes short of the amount needed to provide Albania's 3.3m population with a daily loaf of bread.

Milk and meat are hard to find because livestock breeders avoid selling young animals for slaughter to build up herds from a few animals acquired when the co-operatives' livestock was shared out last year.

Italian soldiers and a Greek state relief organisation make daily truck deliveries of flour and other essentials, provided under an Ecu45m (£31.8m) European Community emergency aid scheme.

This week, the EC is expected to approve another Ecu35m as an immediate balance of payments grant for Albania to buy industrial spare parts and raw materials.

This amount is to be matched by the Group of 24 industrial states under a co-ordinated aid plan for former communist countries.

Serbian authorities step up pressure in Kosovo

Judy Dempsey on the persecution of the majority ethnic Albanians in a colonisation programme

UNTIL October 26 1990, Dr Alush Gashi was Professor of Anatomy at Pristina University, Kosovo. He has no idea when he will be free to lecture again.

"That morning, three armed Serbian policemen came into my office. They dragged me out in front of the patients. They were angry because, as an ethnic Albanian, I had refused to leave my job," said 40-year-old Mr Gashi.

The former visiting professor at the University at California now spends his time documenting cases of human rights abuses in the southern province of Kosovo, which was forcibly reintegrated into Serbia in 1990.

Since March 1990, when Serbia, under President Slobodan Milosevic, issued a decree called "The programme of the Republic of Serbia to colonise Kosovo", thousands of professional ethnic Albanians have been sacked.

According to Belgrade's policy of colonising Kosovo, the decree stipulated how favourable credits would be granted to those Serbs and Montenegrins willing to settle in Kosovo, and how ethnic Albanians would be excluded from holding any positions of influence.

"Last autumn, 25,000 teachers, on all levels, were sacked; 865 lecturers and professors were dismissed; over 2,000 doctors and medical staff now have no jobs. About 85,000 workers have been expelled from the factories," explains Mr Gashi.

"Serbia wants to reverse the ethnic distribution in Kosovo," says Mr Ibrahim Rugova, elected president of Kosovo in elections banned by Belgrade two months ago.

Ethnic Albanians make up 90 per cent of the province's 2m population. The remainder are Serbian, Montenegrin and ethnic Turkish communities.

More recently, human rights organisations in Kosovo reported that Serb authorities last month sacked 60 ethnic Albanian workers from a car parts factory in Istoq, western Kosovo, and 350 ethnic Albanians from an engineering plant in Glogovac, south-west of Pristina, capital of Kosovo

In response to the sackings, ethnic Albanians have begun to establish their own parallel society and institutions. Since February, ethnic Albanian children have gathered in private houses to be taught by teachers sacked from the primary, secondary and university schools throughout Kosovo.

"We are determined to educate our children. It is crucial to preserve a continuity in education and in our cultural traditions," says Mr Rugova.

In another extension of this parallel society, sacked doctors are setting up private, charitable clinics throughout the province.

Before the medical profession was ethnically cleansed, the main gynaecological centre in Pristina was delivering between 50 and 55 babies a month.

"Now the centre is delivering only five or six infants. Because the ethnic Albanians have been sacked, the women do not trust the Serb doctors. They are now giving birth at home. We try to help as much as possible," says Mr Gashi.

The summary dismissal of so many ethnic Albanians has made life even harder in a province which last year was recording 40 per cent unemployment, the highest throughout the former Yugoslavia.

Some ethnic Albanians cope by returning to the land. Some seek help from ethnic Albanians working abroad in Germany or Switzerland. Others rely on a special "Solidarity Fund" set up by the Democratic League of Kosovo, which won an overwhelming majority in the recent unofficial elections. This fund is financed by the diaspora.

Mr Rugova says the parallel society will continue as long as Serbia continues to repress the ethnic Albanians.

"Ethnic Albanians are picked up every day by the police. They are beaten, detained, and held without warrant. Their houses are searched. Intimidation prevails," he explains.

"It is clear Belgrade is not willing to compromise with the ethnic Albanians at the moment," a US diplomat says.

"Even if Milosevic, or any other Serb leader, decides to give back autonomy to the ethnic Albanians, it will be too late. The entire province is radicalised as a result of the repression."

Despite the repression, Mr Rugova says ethnic Albanians will not be provoked into rising up against Serbian repression. "That is exactly what Belgrade wants. It would end up being a massacre because we have no weapons. That is why we need a United Nations presence here before it is too late," he says.

Western diplomats said last week's decision at the Helsinki summit meeting of the 51-nation Conference on Security and Co-operation in Europe to send a mission to Kosovo may be the first, tentative step towards recognising that the war in the former Yugoslavia must be prevented from spreading.

Moldovan ceasefire accord breaks down

MOLDOVAN authorities and Russian-speaking separatists yesterday accused each other of violating a new ceasefire agreement after overnight clashes in which at least one person died, Reuter reports from Kishinev.

Further south in Georgia, Itar-Tass news agency said one person had been killed overnight in shelling of Tskhinvali, capital of the disputed territory of South Ossetia.

Mr Viktor Biryukov, press official for the Russian-speaking secessionists in Moldova's eastern Dnestr region, said Moldovan forces had attacked the Dnestr village of Kitskani near the capital Tiraspol.

He said two Dnestr guards and four Moldovans were killed. But Mr Georgy Munteanu, chief of the Moldovan defence ministry's press department, said stories of fighting in Kitskani were "nothing more than a barefaced lie".

Hundreds of people have been killed since March in the former Soviet republic. The latest ceasefire was signed by senior military officers from both sides last Tuesday. It will be policed by groups made up of Moldovan, Dnestr and Russian observers, and officers from the ex-Soviet 14th Army.

Slovaks inch towards independence from Prague

By Anthony Robinson, recently in Slovakia

THE Slovak nationalists who dominate the newly elected Slovak National Council are expected to endorse a declaration of Slovak sovereignty when the new session opens in *Bratislava tomorrow. For many Slovaks*, irked by a 1,000-year history of subservience to Hungarians or Czechs, the symbolic declaration will underline Slovakia's right to run its own affairs.

Despite its long political subservience, Slovakia's wealth of fine Gothic churches bears witness to a culture which many Slovaks feel has been underrated. Bratislava's Catholic churches are packed for evening mass, unlike the the more sceptical Czech lands cities, where church attendance is low and protestant traditions live on. Differences are likely to widen if the federal relationship with the Czech lands is broken as expected later this year.

Under the communist regime Slovakia was industrialised with huge arms factories, steel works and engineering plants which either exported to the east or delivered components to finishing plants in the Czech lands. After the 1968 Soviet invasion of Czechoslovakia many Slovaks, such as the former president Gustav Husak, were promoted to top positions.

Traces of that recent past remain. The taxi drivers with brand new Peugeot cars who lurk outside Bratislava's high-tech Hotel Danubia have the unmistakable air of former secret policemen. Frontier guards who check passports on internal flights still treat passengers like potential defectors.

That is certainly the fear of the losers from the recent elections – the Christian Democrats led by Mr Jan Carnogursky; the Greens, whose vote was negligible despite the environmental degradation left by the communists; and the Civic Democratic Union, which, as Public against Violence, held the first street demonstrations against the communist regime.

But the clearest sign of nervousness about the future of an independent Slovakia can be seen in the way the Hungarian minority voted on ethnic grounds for the three Hungarian parties who form a compact bloc, despite big political differences.

For nearly 1,000 years Slovaks were dominated by Hungary. Mr Gyorgy Halasz of the Hungarian Civic party fears that if Slovakia, under the leadership of Mr Vladimir Meciar's Movement for a Democratic Slovakia (HZDS), breaks its federal ties with the Czech lands, it will be the turn of Hungarians and other ethnic minorities such as Gypsies, Ukrainians, Poles and Germans to become second-class citizens.

"Meciar is angry with us because we were part of the coalition which ousted him from government last year. We fear that Slovak will become the only official language and we will be discriminated against. We intend *to form a united opposition with the* right-wing parties and the Christian Democrats," says Mr Halasz in Kosice, Slovakia's second biggest city, near the Hungarian and Ukrainian borders.

The presence of nervous ethnic minorities and strong Catholic traditions kept support for the HZDS to 28 per cent of the vote in Eastern Slovakia compared with 51 per cent in central Slovakia and over 35 per cent nationwide.

Eastern Slovakia has suffered less from unemployment than central Slovakia with its heavy concentration of arms factories. Thanks to some adroit managerial footwork and federal assistance several thousand new jobs have been created over the past year by VSZ steelworks, the largest employer in the Kosice region.

It is a different story in central Slovakia, where thousands of workers have been laid off from plants which supplied the former Soviet market. It is in towns such as Martin that resentment against Prague and support for the former communists and the pro-independence parties is strong*est. But the sense that Slovaks* should take their own future in their hands and break away from what is seen as Prague's insensitivity to Slovak interests is strongest in the Bratislava-based ministries.

Mrs Dagmar Repcekova of the Economy Ministry's foreign trade department approves of the emerging alliance between Mr Meciar, a former communist secret policeman, and the "Democratic left" reformed communists led by Mr Peter Weiss. "The Democratic Left is full of people who have a lot of experience in planning and decision-making. Both Meciar and Weiss accept the market system. But we feel that in the common state things will only get worse while they [the Czechs] will get better," she says.

Czechoslovak President Vaclav Havel said yesterday he would be willing to become president of an independent Czech republic if Czechoslovakia split up, providing the conditions were right, Reuter reports.

Mr Havel failed to be re-elected as Czechoslovakia's federal president recently after his candidacy was blocked by Slovak parliamentarians. He said he would only accept nomination for a post of active president.

Government to dilute plan for rail sell-off

By Richard Tomkins, Transport Correspondent

BRITAIN'S state-owned railway system is likely to remain substantially in the owership of British Rail under heavily watered-down privatisation plans to be announced by the government tomorrow.

The proposals are likely to be greeted with relief by the national railways of other European Community countries, many of which had feared they would serve as a precedent for the break-up and sale of their own rail networks.

They will nevertheless provoke concern from some – notably France's Societe Nationale des Chemins de Fer – because they breach the long-established European custom that state-owned railways enjoy a monopoly over rail services.

After struggling unsuccessfully for several years to find a way of disposing of its loss-making railways outright, the British government has opted for a structure similar to one introduced in Sweden in 1988.

Under this scheme, BR will stay in charge of the railway tracks indefinitely. Privatisation will consist mainly of trying to get the private sector to run the trains.

However, only the freight trains will be offered for outright sale. On the passenger side, the private sector's role will be limited mainly to operating some routes under franchise.

The government is likely to proceed extremely cautiously with the award of franchises because of the private sector's lack of previous experience operating complex railway services.

The private sector is also wary of the opportunities because of uncertainties over whether there is any money to be made from running trains. It has not been reassured by the escalating losses reported by BR two weeks ago.

The white paper will attempt to ease some of the private sector's anxieties about costs by allowing franchisees to lease passenger trains from BR instead of buying their own.

If a franchise is not renewed, BR will guarantee to take the trains back from franchisees. This will considerably reduce the risks to the private sector in taking on a franchise.

In addition to privatising BR's services, the white paper will allow would-be operators to start up new services alongside BR's. Several companies such as Virgin Atlantic, the airline, have expressed an interest in doing so.

Another aspect of privatisation will be the gradual offer for sale of BR's 2,556 stations, though only a few are expected to be attractive to buyers.

Business supports rail

BUSINESS managers are strongly in favour of investing in the railways, according to a survey published yesterday.

But while they back the railways, few actually travel by train, with 82 per cent of those questioned taking the car to work and only 10 per cent using the train.

The survey of more than 1,000 British Institute of Management (BIM) members found:

- Three-in-five would pay for more rail investment and only one-in-three supported more spending on roads.
- Nearly three-quarters thought British Rail investment levels were too low.
- Only 15 per cent wanted more motorways built.
- 88 per cent thought more freight should travel by rail.
- 43 per cent opposed the privatisation of BR.
- 51 per cent thought privatisation would improve services while 36 per cent disagreed.

Overall, while managers thought more should be spent on the railways, they found car travel more comfortable, although rail was perceived to be better value for money.

Britain in brief

Smith victory expected in Labour contest

Mr John Smith is set for a crushing victory over Mr Bryan Gould in this week's opposition Labour leadership contest with the support of up to 90 per cent of the party's electorate.

The shadow chancellor's campaign advisers said his overwhelming support in all three branches of the electoral college that chooses the leader – the trade unions, parliamentary party and constituencies – would give him unprecedented authority as leader.

Mrs Margaret Beckett is expected to beat off challenges from Mr John Prescott and Mr Gould when the votes in the deputy and leadership contests are counted on Saturday.

Protest move

Strike action by government employees protesting over government plans to move them from Westminster to Canary Wharf in London's docklands may close two government departments on Wednesday.

Staff at the environment and transport departments oppose the move because it means extra travelling and disruption for a workforce already under pressure from staff cuts, unions say.

Upturn in confidence

The financial services sector may be about to pick up, according to a report published today. However, the survey of 333 companies warns that business volumes remain well below normal and says that improved profitability has been won partly through job losses and reduced costs. For the only the second time since December 1989, the report – produced jointly by the Confederation of British Industry and Coopers & Lybrand – records an upturn in business confidence.

Britain's Nigel Mansell took another stride towards the Formula One world championship yesterday with a British Grand Prix victory at Silverstone. Thousands of fans poured on to the track after Mansell crossed the finish line for his seventh win of the season for the Williams Renault team. Team-mate Riccardo Patrese finished second and Martin Brundle third. Mansell has a 36-point lead over Patrese in the drivers' championship, with just seven races left

Ford unions in Europe join forces

By Catherine Milton, Labour Staff

UNIONS representing Ford workers across Europe are combining forces for the first time to make representations to the company.

They believe Ford management in the US has taken a strategic decision to subcontract an increasing number of production processes and fear thousands of jobs are at risk in the long term.

The move comes in spite of the unions' continuing difficulties in forming a European works council at Ford, designed to give a collective voice to workers from all six European countries where Ford has a presence.

German union leaders want Euro-works council representatives to be elected only from Ford employees. The British want some full-time union officials on the proposed 20-member council.

This week, however, negotiators from Britain, Germany, Belgium, Spain and Portugal will ask Ford of Europe management for a meeting to request assurances that no core processes will be subcontracted within the next five years. Unions believe the proposal to put seat production at Ford in Britain out to tender will lead to 800 job losses and heralds a move to increase subcontracting. Ford is due to decide on that proposal later this year.

Carmakers can cut costs substantially by forging long-term partnerships with a relatively small number of key suppliers. These are required to bear all the big costs of research and development in exchange for long-term supply contracts.

Ford denied that it plans to sub-contract core businesses. The company said: "Out-sourcing of some work is an ongoing process. We have looked at peripheral areas for a number of years. We are always asking whether someone can do the work better than we can."

Engineers at Ford's research and development plant in Dunton, Essex, are to stage a one-day strike tomorrow in protest over the company's plan to relocate 300 jobs to Germany.

The move is part of the company's strategy of "co-location" which involves bringing together staff working on similar activities. British engineers are angry that while 300 jobs are moving to Germany only 26 are coming to Britain.

No amnesty on allegations of abuse

Ralph Atkins looks at the perennial charges laid against the UK government in Northern Ireland

AMNESTY International, the human rights organisation, last week again documented lengthy allegations of abuse in Northern Ireland. It is a perennial charge against the UK government which has to tackle, in the IRA and loyalist paramilitaries, some of the world's most experienced terrorists.

This year, though, there is perhaps more reason to suggest that tougher measures to prevent abuse may be implemented. All the Northern Ireland parties taking part in "round table" talks on the province's future have backed a bill of rights or incorporation of the European convention on human rights into UK law.

Sir Patrick Mayhew, Northern Ireland secretary, has said he would not oppose such a move. If the talks collapse, it is one element that might be salvaged.

Allegations of the sort listed by Amnesty International are common in the republican heartlands and Roman Catholic-dominated towns of Northern Ireland. But unionists are also worried about possible abuse. Few argue that abuse is avoidable in an undeclared war against paramilitaries. The worst atrocities are committed by terrorists; ministers' prime concern has to be preserving the right to life of the province's population.

It is a difficult balance, but the security forces are often distrusted by the minority nationalist population – and sometimes by unionists as well.

"There is no law here," says Father Denis Faul, principal of St Patrick's Academy in Dungannon, Co Tyrone, and persistent campaigner for human rights."The British give us the small liberties but they will keep all the big ones. They are a bit inclined to be bullies."

Allegations of human rights abuse lowers Britain's esteem in international eyes, adding to Northern Ireland's grim image in the eyes of possible investors. "In Northern Ireland you have much greater pressure on human rights but the pressure takes place in the part of Europe which has the least safeguards," says Mr Colm Campbell, chairman of the Belfast-based Committee on the Administration of Justice.

Particular anxiety has arisen in the past year over the treatment of suspects at the RUC's Castlereagh holding centre. The Northern Ireland Emergency provisions acts allow terrorist suspects to be held for up to seven days without being charged. Access to a solicitor can be delayed for 48 hours.

Amnesty International last week detailed allegations of confessions obtained under duress and of physical intimidation of suspects. Last year, it complained to the United Nations' Committee against Torture. The RUC says there is no policy of abusing prisoners and its investigations rarely find conclusive evidence to substantiate the allegations.

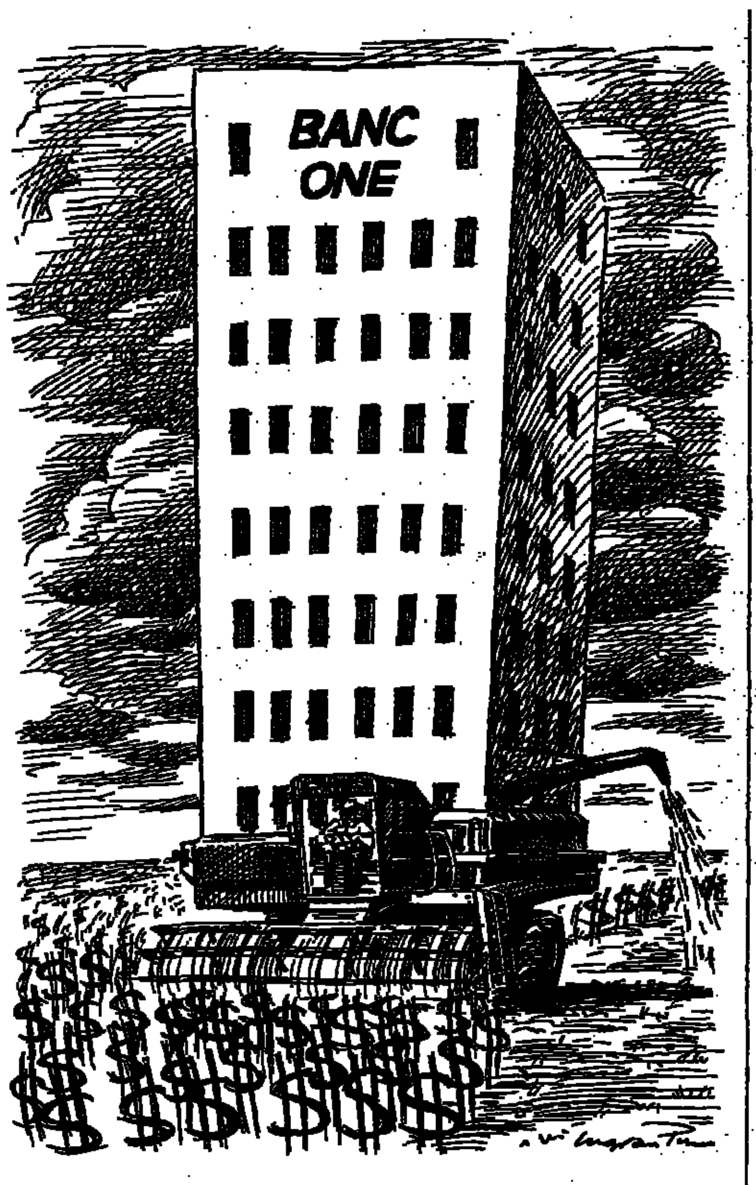
An independent commissioner for holding centres is to be appointed but complaints will continue to be investigated by the RUC itself – either under the supervision of the new commissioner or the existing Northern Ireland Independent Commission for Police Complaints.

The Northern Ireland Office argues that it strikes the right balance between tackling terrorism and protecting human rights. But, as has become apparent during the interparty talks, unionists and nationalists accept that a formal mechanism for ensuring a proper balance may be needed.

MANAGEMENT

The rapid growth of an Ohio bank over the last 18 months has lifted it into the same league as some of the oldest US financial institutions. **Alan Friedman** reports

One of the boys



Against a national backdrop of a commercial banking industry battered by property loan losses and recession, a bank from Columbus, Ohio, has quietly emerged as one of the best managed, most rapidly expanding and most strategically successful financial institutions in the United States.

Banc One, little known outside the US, has expanded away from its roots in the midwestern heartland by way of a dozen bank takeovers over the past 18 months in places such as Colorado, Texas and Arizona.

The acquisitions have been accompanied by a management formula that combines decentralised decision-making with group-wide guidance and advice.

Since the start of 1991 – as a result of the acquisitions – Banc One has succeeded in boosting its total assets from $30bn (£15.7bn) to more than $75bn.

Its network has grown from 587 to 1,328 branches, its workforce from 19,300 to 47,061 people and its geographic presence from six to 11 states.

Wall Street analysts say Banc One is one of the few US institutions genuinely positioned to become a nationwide bank.

This has been accomplished without diluting the bank's earnings per share, its equity-to-assets capital ratio or its return on assets, which at 1.5 per cent is significantly higher than the average (0.89 per cent) return of the top 25 US banks.

Last year, only four US banks – Bank of America, JP Morgan, Chase Manhattan and Bankers Trust – earned more than Banc One's $529.5m of net profits.

And only BofA, NationsBank, Morgan and Chemical Bank have a present market capitalisation larger than Banc One's stockmarket value of $9bn.

The secret of Banc One's success is the result of a mosaic of strategies.

These include a strictly domestic banking operation, a conservative approach to lending that has kept the bank largely away from the troubled property sector, a technology-driven focus on consumer banking and an innovative set of management and financial reporting tools that are admired throughout the industry.

It is almost axiomatic to assume that problems must await any bank that is expanding as rapidly as Banc One.

Yet Wall Street analysts and top bankers alike say they have confidence in the bank and in John McCoy, the third generation member of his family to chair the bank.

George Salem, a normally sceptical analyst with Prudential Securities, fairly bubbles with praise: "Banc One could well be the best practitioner of excellent bank management in all its dimensions."

Art Ryan, president of Chase Manhattan, has great faith in Banc One's strategy: "They are very, very good at what they do. I'd buy their stock."

Banc One's stock price, which has leapt by 86 per cent over the past 18 months, has obviously helped pay for the takeovers, which are mainly in stock, not cash.

But so has the bank's continuous experience in acquiring banks – more than 100 deals have been made over the past 25 years.

Acquisitions, according to McCoy, are more than a strategy. They are a line of business.

The 48-year-old McCoy, a burly man with a penchant for monogrammed blue shirts, sits in his 16th floor office in downtown Columbus and explains his acquisition and management strategies.

"First of all I don't believe in merger of equals. We've really tried to study what we do. One rule is we never buy a bank more than a third of our own size.

"Then, we are only really interested in opportunities in a retail banking market where we can be first or second in terms of market share. And we don't want to take on a bank with asset quality problems."

The few sceptics around say Banc One has paid too richly for some banks.

But McCoy insists that the bank takeovers will not dilute overall earnings per share, even if the issuing of new stock has diluted shareholdings in Banc One itself, including that of his own family, which is now below 1 per cent.

Once banks are acquired, however, Banc One swings into action to help manage and to slash operating costs. The first step is to transfer data processing operations to a central office in Springfield, Ohio.

The Springfield computer centre is more than just an administrative division – it is also the second biggest automated clearing house transaction processor in the US, a profitable Banc One business that last year processed 44.8m electronic payments, primarily made to insurance companies by individuals. The dollar value of those transactions was $47bn.

The heart of Banc One's much envied management, however, is what the bank calls its policy of "uncommon partnerships".

This is shorthand for leaving acquired banks relatively free to design their own marketing strategies and pricing, although not their management system and product portfolio, which are uniform inside the Banc One empire.

Managers at the 58 separate banks inside the network are both intimidated and inspired to achieve a high return on assets by an unusual, computer-based monthly reporting system known as the Management Information Computer System (Mics).

All Banc One managers can and do use Mics to compare results. The management system also has a human face.

A team of Banc One consultants is almost always on the road, offering a manager in Kentucky the fruits of lessons learned in Ohio or Wisconsin.

"Most people don't have anything to compare themselves to. We allow our guys to see who is doing things the best, and how they are doing it," says McCoy.

If Banc One is bucking the national trend, this is also because of the bank's strategy of spreading risk geographically and among numerous small consumers.

Its retail banking experience includes being the first bank in the US to buy a franchise to issue BankAmericard (1967), the forerunner of Visa, and being the first bank to install a cash dispenser machine (1970).

McCoy notes that 99 per cent of the bank's $32.6bn total loan book consists of loans of less than $50m. The bank's strong focus on the consumer can also be found in the profitable credit card and instalment loan divisions. With $4.1bn of credit card receivables on its books, Banc One is among the leading card issuers in the US.

Nancy Bush, a bank analyst at Brown Brothers Harriman, says the bank's above-average 6.5 per cent net interest margin stems in part from the rich pickings of an average 17.8 per cent interest yield earned on credit card balances.

Just as striking is the fact that while big banks in New York are experiencing record consumer delinquencies, Banc One's more conservative midwestern clientele is better at paying bills, which helps explain the average 14 per cent earned on $6.9bn of consumer instalment loans.

The main criticism to make of McCoy's management approach is that he is taking on more than he can handle. Bush says the bank is "pushing the outer edge of the envelope" with its aggressive acquisitions strategy. But she adds: "They have a great depth of management simply by dint of having already acquired and integrated so many banks for the last 20 years."

McCoy, while noting proudly that Banc One will be the seventh biggest bank in the US in asset terms by year-end, agrees that the bank must now undergo a period of consolidation rather than further acquisitions.

Yet analysts forecast that Banc One will achieve an increase of about 13 per cent in its 1992 net profits, hardly a sign that the acquisitions have caused a bout of indigestion.

Promoting service with a smile

By Sara Webb

Service and efficiency were seldom buzzwords of hoteliers in the Soviet Union and eastern bloc under communism. But as the former Soviet republics and east European economies open up, many hotels are trying to raise standards to attract more tourists and business travellers.

According to Andrew Lockwood, lecturer in hotel and restaurant management at the University of Surrey: "In the past, many of the hotels had no need to budget or look at cost control – the money was simply provided by the state. Now they need to learn how to budget and prepare financial statements," he says.

The hotels also face practical problems in attracting and training suitable staff, and obtaining regular supplies of food and fuel.

When Toomas Sildmäe started recruiting staff for the Palace Hotel, rated the best in the Estonian capital of Tallinn, he vowed not to employ anyone who had worked under the old Soviet system.

As managing director of Finest Hotel Group, he wanted staff who were young, motivated and service-minded to establish a hotel which could cater both for businessmen and well-heeled tourists.

With unofficial unemployment estimated at 20-25 per cent in Estonia, there is no shortage of labour, although there is a shortage of well-trained hotel staff. Initially, the Palace Hotel sent its staff to Finland for training only to discover that the best people quickly found jobs there.

So the hotel has started a number of schemes to keep its employees.

● Staff receive part of their salary in roubles, plus a sum ranging from one-to-three times the rouble portion in hard currency, according to how well they perform. In a country where the rouble is regarded with some contempt, the hard currency is very attractive.

● Staff are entitled to discounts at the hotel's hard currency shop which sells alcohol and imported food. They can also order basic groceries on the premises so they do not have to waste time shopping during their working hours. This also means staff spend their working hours at work.

● Staff are given cheque books with which to pay for groceries, canteen or restaurant food, and the money is deducted from wages.

● The most senior staff are entitled to use company cars, bought second-hand in Germany which can be resold two years later for almost the same price.

"A hard currency salary and the prestige of working for a successful business is important," says one Estonian official. "It's very easy to fire people here so if you have a good job, you don't want to lose it – it's quite an incentive for people to smile in the hotel."

Even so, Sildmäe, a former trade ministry official, sees the government's privatisation plans as the most serious threat to attracting staff. "Estonians like to work for themselves, even if that means having a two-metre wide kiosk on a street corner . . . we have to persuade them that it is not bad to work for someone else."

Food and fuel supplies have posed problems for the hotel, and the group's separate restaurants, and pizza chain in Tallinn. The company employs four people in its purchasing department simply to ensure that it has the right ingredients. Most of the food is produced in Estonia and is bought from the private sector, but some items – alcohol, French cheeses, spices and fruit – are imported, mainly from Germany.

While it is possible to buy food in bulk, it can be very difficult to guarantee supply. "You can only get the fishermen to supply salmon for the three months when it is available, so the purchasing staff must buy, prepare and freeze it so it is always on the menu," says Sildmäe.

Last winter, Estonia had to cut heating in offices and homes, and rationed fuel supplies as Russia started to charge world market prices for energy supplies. Sildmäe rented a filling station and bought as much petrol as possible for the rental cars and delivery vans. The decision paid off and the group now has surplus petrol.

The group was less fortunate with its heating supplies last winter. The hotel was unable to control its heating supply and had to install electric heaters to prevent the rooms from turning into iceboxes. Now, it plans a separate system for heating the water and rooms so that it can run off an independent energy supply next winter.

CONSTRUCTION CONTRACTS

BRIEFS...

JOHN SISK & SON NORTHERN has won contracts worth £8m. Recent work includes repairs to a motorway underpass on the M1, a number of contracts for North West Water, cladding for the Quarry House development in Leeds and three units for one of Europe's largest retailers.

* * *

LAING SCOTLAND has been awarded construction contracts worth more than £6m. Heading the list is a 3,128 sq metres supermarket for Scotmid at Uddingston valued at £2.5m.

Other work involves refurbishment at the Royal Infirmary, Glasgow (£1.2m), a services building and roadworks at Cameronbridge (£709,000) and a brickwork package for the HCI hopital project in Clydebank (£1.9m).

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Over 5,000 sq metres of the Astrawall curtain walling system has been ordered from **STOAKES SYSTEMS**, Purley, for installation on two six-storey office blocks under construction at Pamplona in northern Spain. The blocks form part of Feurte del Printcipe Parque – an apartment and office complex being developed by Invermi.

* * *

JOHN LELLIOTT CONSTRUCTION GROUP has been awarded a £1.4m contract to build the new Food Garden restaurant on the fourth floor of Selfridges department store in Oxford Street, London. Work involves stripping out the restaurant and constructing a new 350-seater restuarant.

* * *

BUILDING SERVICES DESIGN PARTNERSHIP has been appointed by the London Borough of Hammersmith & Fulham to undertake surveys of the mechanical and electrical installations in 94 of their public buildings. It will also check and update plant and equipment asset registers and advise on health and safety matters.

Treating wastewater in Egypt

A contract to build a US$110m (£57.29m) wastewater treatment facility near Suez, Egypt, has been awarded to a joint venture including a unit of the Sweden-based **ASEA BROWN BOVERI (ABB)**. The plant, to be completed in 1995, will have a capacity of 130,000 cu metres per day and will significantly reduce wastewater pollution along the Suez Canal.

ABB SUSA, as the sponsor, is to work with the **DILLINGHAM CONSTRUCTION COMPANY**, based in Pleasonton, California, to provide final design, procurement and construction services.

Most of the funding for the project will be provided by a US$82m (£42.7m) grant from the United States Agency for International Development (USAID). Most of the grant is to be spent on products and services from US companies.

Isle of Wight water disposal schemes

HIGH-POINT RENDEL is to design and supervise the construction of two major schemes for Southern Water to dispose of wastewater and stormwater from two Isle of Wight towns, Ventnor and Bembridge.

Work has already begun on scheme identification and the whole £18m project, incorporating treatment works, pumping stations, pipelines and long sea outfalls, is due for completion during 1995.

Conceptual schemes for Ventnor and Bembridge are already in place after earlier feasibility work by two Southern Water companies, Southern Projects and Southern Science, and Rendel's first role is to identify appropriate schemes for planning approval. It will then undertake detailed design, prepare contract documents and supervise construction.

The Ventnor scheme is expected to incorporate a sea front interceptor sewer and pump station at Collins Point with a pumping main/gravity sewer to headworks at Flowers Brook and an 800 metre long sea outfall.

At Bembridge a pumping main/gravity sewer could run from a pump station at Lane End to headworks at Foreland Field Road, incorporating a 2,300 metre long sea outfall. Rendel will also be considering alternative proposals to include pumping 4km to a treatment works at Sandown.

£11m water projects awarded to Amey

AMEY GROUP companies have been awarded over £11m of water related contracts.

Amey Farr, the water division of Amey Construction, has been awarded contracts by Severn Trent, Welsh Water, Thames Water and WRC, including both sewage treatment and potable water.

The largest contract is the £7.2m Netheridge Sewage Treatment Works near Gloucester for Severn Trent. The scheme includes the construction of six aeration lanes, four storm tanks and six final tanks, together with sludge handling facilities, pipework and siteworks.

A further contract for Thames Water Utilities is valued at £1m for additional works at Farmoor Reservoir near Oxford.

Amey Mec-Tric, based at Maidenhead, has a £1m contract in Scotland at the Longmans Pumping Station for Highland Regional Council.

£18m orders for Tarmac Construction

Four office developments are among contracts worth nearly £18m won by **TARMAC CONSTRUCTION**.

A £2.5m steel-frame office building is to be constructed for Reading Concrete Products at Reading and a £2m office block built in Edinburgh for Castle Properties (Scarborough).

A £1.7m three-storey office block with car parking is to be built at Reigate in Surrey for MGM Assurance, and a new office extension at Swindon is to be fitted out for the Business Design Group (£1.3m).

A 1.5 kilometre length of Penistone Road, Sheffield is to be converted to dual carriageway for Sheffield City Council at a cost of £3.1m.

Other projects include the refurbishment of the main entrance of the JM Centre in Liverpool for Centreville Estates (£790,000); an improvement scheme for King Edward Street in the centre of London for the Corporation of London (£350,000); updating the Doncaster fish and general market for the Metropolitan Borough Council (£324,000) and a factory extension for Veka at Burnley (£300,000).

The contract housing department, which specialises in public sector work, has won a £3.8m contract to refurbish an 18-storey block of flats and provide new offices at Wolverhampton for Focus Housing Association.

Hospital refurbishment in Weymouth

WICKENS CONSTRUCTION, based in Chertsey, Surrey, has been awarded £8m work in five contracts.

The largest, at £3.5m, is a three-phase 70-week contract for Warden Housing Association to refurbish and convert Portwey Hospital, Weymouth, into self-contained dwellings and to design and build a further 57 flats and houses.

At Worple Road, Isleworth in Middlesex, the company has begun work on a £2m 75-week contract to build a primary school for the London Borough of Hounslow. The work also involves demolition of the existing building.

The third award is a design-and-build commission worth £1.25m for a community day hospital in Cullompton, Devon for Mediken.

Also design-and-build is the phase 2 development contract valued at £938,000 for 30 houses for Knightstone Housing Association at Totton, Southampton.

The last is a refurbishment project worth £355,000 for offices at Fratton Road, Portsmouth for Portsmouth Housing Association.

PEOPLE

Cutts moves to Chartered WestLB

John Cutts, one of London's growing corps of European corporate financiers, is moving shop again. Having helped build Samuel Montagu's European corporate finance network, he is joining Chartered WestLB as managing director, corporate finance.

The 41-year-old Cutts, who is fluent in German, French and Dutch, has not followed the traditional career path of most London merchant bankers. He started work as an engineering apprentice building Rolls-Royce aero engines in Derby, then sold telephone answering machines around Europe. But it was not until he graduated from the Insead management school that he realised he wanted to be something more than an engineer.

He joined Amsterdam-Rotterdam Bank in the early 1980s and was involved in building up its mergers and acquisitions team. At the end of 1985 he moved to EBC Amro Bank to head its corporate finance department, and three years later switched to Samuel Montagu. His move to Montagu, the merchant banking arm of Midland Bank, was partly prompted by George Loudon's appointment to the Midland Bank board in 1988. Loudon, a Dutch man, and Cutts, who is half Austrian, had worked together at Amro.

Samuel Montagu differs from many London merchant banks in having established a successful corporate finance network in various Continental centres, rather than servicing clients' needs just from the City. Cutts wants to do the same again at Charter WestLB, a merchant bank jointly-owned by Standard Chartered and Westdeutsche Landesbank. Cutts knows Germany well, having been brought up in Düsseldorf, home of Westdeutsche Landesbank.

Cutts joins Jan Bowlus, who was hired from Prudential-Baché Capital Funding two years ago. Bowlus, who is also a corporate finance managing director, will concentrate on developing and marketing corporate finance products.

C Itoh man for HSBC

Minoru Murofushi, the 61-year-old chief executive of C Itoh, one of the world's biggest trading houses, has been appointed to the board of HSBC Holdings, the new owner of Midland Bank.

This is believed to be the first time that HSBC, parent of the Hongkong Bank, has put a Japanese businessman on its board and is in line with the group's plans to give it a more international flavour. Until now it has been dominated by local Hong Kong businessmen.

Murofushi joined C Itoh in 1956 after graduating in law from Tokyo University. In 1963 he was made general manager of the group's coal department in New York and became vice president of C Itoh (America) in 1971. He went on the board of C Itoh in 1985 and was appointed chief executive in June 1990.

Sir Peter Walters, chairman of Midland Bank, and Brian Pearse, Midland's chief executive, have also joined the HSBC board following the takeover of Midland.

■ **Claus Moehlmann** has been appointed md in the investment banking group of SWISS BANK CORPORATION; he will be based in London.

■ **Brian Constant** has been promoted to be a director of LLOYDS BANK's corporate banking division.

■ **David Gibson** has retired from HENDERSON ADMINISTRATION.

Bodies politic

■ **Peter O'Keefe** is the new national chairman of the INSTITUTE OF LOGISTICS AND DISTRIBUTION MANAGEMENT.

■ **Andrew Ball**, VAT partner at Touche Ross, has been appointed chairman of the VAT PRACTITIONERS GROUP.

■ **Robert McDonald**, chairman of Probus Housewares, has been appointed director of the STAFFORDSHIRE Tec.

■ **Christopher Jonas**, senior partner of Drivers Jonas, has been elected president of the ROYAL INSTITUTION OF CHARTERED SURVEYORS.

■ **Peter Bottomley MP** has been elected president of the WATER COMPANIES ASSOCIATION in place of Lord Elliott of Morpeth who was president for 17 years.

■ **Brian Ellis**, chairman of Richard Ellis, has been elected president of the LONDON CHAMBER OF COMMERCE & INDUSTRY.

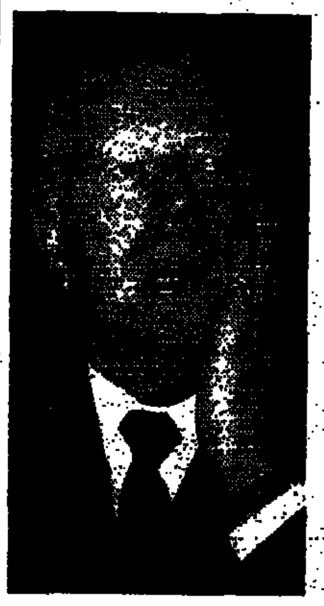
■ **Brian Roddick**, an underwriter with GW Hutton, has become chairman of The SALVAGE ASSOCIATION.

■ **Glenda Davies** has been appointed director, securities and investment of the BRITISH MERCHANT BANKING AND SECURITIES HOUSES ASSOCIATION.

■ **Clare Connery**, writer and broadcaster on food, has been appointed chairman of TASTE OF ULSTER.

Russian lawyer, Ksenya Solovyova, has left the Paris-based American law firm of Salans Hertzfeld & Heilbronn to join City solicitors Lovell White Durrant as a member of its east west trade group. The daughter of the former Soviet Union's leading industrial designer, Solovyova studied international law in Moscow and spent 12 years at a government think-tank for developing the economy before joining Salans Hertzfeld in 1989.

Her role at Lovells will be to advise western businesses on the conduct of large transactions in eastern Europe.



Sir Desmond Pitcher will be stepping down as chief executive of the Littlewoods pools and retailing group next March after completing 10 years in the job.

He will be succeeded by Barry Dale, 53, currently finance director, who joined the Liverpool-based Littlewoods from London Transport four years ago.

Sir Desmond, who will retain his links with Littlewoods by becoming non-executive vice-chairman, intends to devote his time helping to regenerate Merseyside. "He will be 58 by next March and believes this will be an appropriate time to pursue the next step in his career," Littlewoods said.

During his time there, Sir Desmond has given Littlewoods a far harder commercial edge. Its retailing arm, which includes Littlewoods stores and the Index chain of catalogue shops, has sharpened its focus and benefited from the introduction of computer systems. Sir Desmond was fully at home with such technology, given his background working for Plessey, even if he was not the most intuitive of retailers.

Dale has been appointed chief executive designate with immediate effect. "I think there will be adjustments on the tiller but there will be not change in the overall direction," Littlewoods said. It added its now-ritual coda that the Moores family, which owns Littlewoods, had no intention of taking the company public.

Architecture/Colin Amery

New York's oasis of the park

It's summertime in New York and the heat is driving you crazy. The streets are steaming, the hydrants are streaming and only the oasis of the park can help to keep you sane. There cannot be another city in the world where a park is of such importance. It is like St. Mark's Square in Venice – an outdoor drawing room. But it is so much more than that. It really is *rus in urbe* and it was intended to be by its nineteenth century creators.

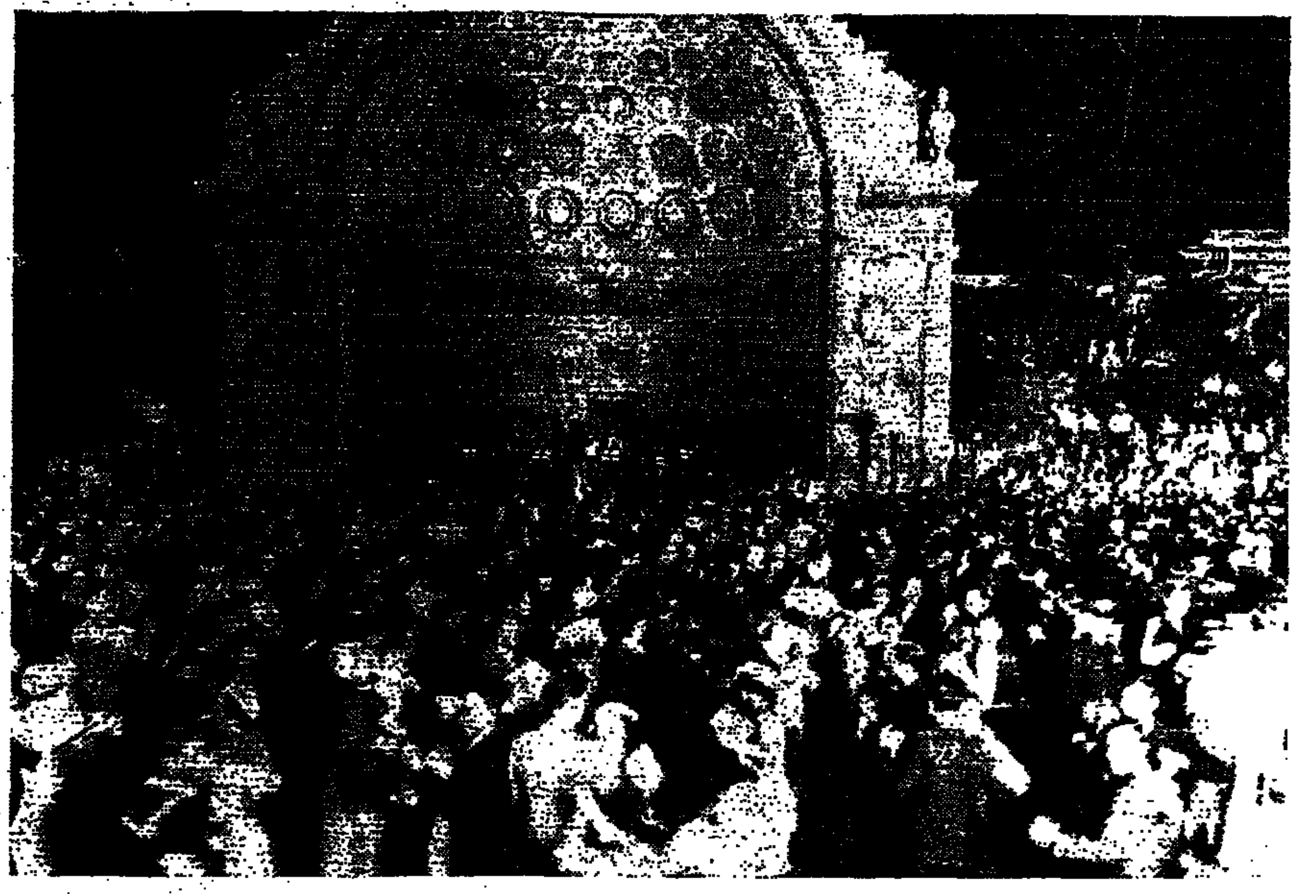
When the Street Commissioners of 1807 impressed the island of Manhattan with an immovable grid, they felt that the miles of waterfront around the shoreline would be enough to give the city breathing space and plenty of room for exercise and recreation. They were wrong. Commerce and the piers took up the waterfront and soon the highways, the bridges, the entries and exits from the tunnels filled up the desireable waterside places. There was a need for a lung.

It was not until 1858 that the city held a competition for the Central Park. It was won by a writer, Frederick Law Olmsted and an architect, Calvert Vaux. Their scheme was called "The Greensward".

There was something very original about their plan at the time. It was nothing to do with the classical ideas of the eighteenth century but it was deeply romantic and picturesque. It was to look like untamed nature but every inch of it was to be planned and designed. It was also to have whole areas where the denizens of New York could promenade in a more formal manner – taking the air in a leisurely way – long before the advent of jogging and manic movement. The Park was also to house some cultural activities and among the rustic arbours and fountains music would be played and civilised pleasures provided.

Many of the wishes of the founders of the park have been fulfilled over the years. But there was a time when the joys of Central Park were overshadowed by its dangers. In the 1960s and 1970s vandals and criminals began to ruin the Prk systematically. Only in the recent past has the New York City's Parks Department, with the considerable help of the private fund raising group known as The Central Park Conservancy, been able to reverse the decline and begin the restoration of much of the park to the original design.

One of the areas that has been the subject of much restoration work and expenditure has been the park's mall, which stretches from 66th Street to 72nd Street on the east side of the park. An area just to the east of this mall is known as the Concert Grounds and here stands the remarkably handsome and appropriate Naumburg Band shell – a gift to the City of New York in 1921 from a music enthusiast, Elkan Naumburg. The limestone band shell resembles a giant ruined portion of a Roman building and its great coffered half-domed ceiling, while looking marvellous also projects the sound of an orchestra or band perfectly. The shell is inscribed "Presented to the City of New York and its Music Lovers", and it is not just a handsome object in the park but also a monument to the generosity of a private citizen. It has hosted concerts by Duke Ellington, Percy Grainger, Sousa, Irving Berlin, Benny Goodman and many others. It is, amazingly, to be demolished by The Parks Department.



The Central Park band shell: it has hosted concerts by the likes of Duke Ellington but is, amazingly, to be demolished

The row over this perverse decision has grown and grown and complex legal proceedings are underway to try and save this part of the history of Central Park. If it is demolished it will be a great loss and it is hard to understand the reasons for its removal. These arguments are that it is "obsolete for today's amplified concerts" and the Central Park Conservancy are opposed to permanent concert sites in the park. I would have thought that many musicians are anxious to play in "natural" acoustic conditions today, and that there is more than enough amplification of sound in a city like New York. The other main argument seems to be that the shell was not part of Olmsted's original design and that it partially blocks a view from the newly restored Wisteria Pergola. The other argument seems very spurious – that the band shell attracts the homeless, drug dealers and vandalism. As one opponent of the demolition has written, "if that argument is used in favour of the demolition of historic buildings then New York should start with the demolition of Grand Central Station and work down."

The argument over the demolition of an agreeable, useful and important monument in Central Park demonstrates how vulnerable historic buildings are. I suspect that the "improvers" of Central Park who give generously of time and money think that they are doing the right thing.

But in fact they are demonstrating the fallibility those who believe in "authentic restoration". As the New York architect Robert Stern has written: "Central Park is no longer a 'pure' work of Olmsted and Vaux's. It is a palimpsest with many layers . . . History demands that we take a longer view, preserving all the best elements of the past, which is invariably more complex and varied than simply returning the clock to a particular moment will allow. The past should not be erased."

How right he is. But will politicians see the subtlety of his point or will they wantonly destroy one of the survivors of the City Beautiful Movement? The band shell may be a small object in a great city, but the fight over its future concentrates the mind on the complex history of our surroundings. It is too easy to wipe out the generosity of the past and too easy to believe in the false gods of "authentic restoration" to remove anything that may get in their way.

Opera

Terrible Mouth

Alastair Muir

Ian McDiarmid: deaf, raving and incoherent

The premiere of *Terrible Mouth*, with music by Nigel Osborne to a text by Howard Barker, establishes Almeida Opera as a genuinely credible replacement to the much missed Almeida Festival.

While it does not attempt to match the sheer scope and ambition of its predecessor, this season's programme, with the Osborne opera as its centrepiece and flanked by the British premiere of Oliver's *Mario and the Magician* (already reviewed here by Max Loppert) and a double bill of Vigeland and Krenek, gives a good sense of its distinctive direction.

It underlines too the potential of further collaborations between the Almeida Theatre and English National Opera's Contemporary Opera Studio.

Terrible Mouth is built around a critical episode in the life of the painter Goya. The initial impulse for the piece was Barker's; his libretto dates back to the mid 1980s, was written unprompted and subsequently taken up by Osborne in a commission from BBC Radio 3.

In a *Guardian* article last week Barker described the background to his Goya text, the derivation of his title (from the leering grin of a self-portrait) and its exploration of the painter's ambivalent attitude to the events he recorded and satirised, characterising him as "a man as much fascinated as repelled by disorder and sudden death".

The six tightly constructed scenes portray events in 1792 at a Spanish country house, where the reverberations from the French Revolution are destabilising society.

The house has been transformed as a military hospital, and when Goya arrives with his mistress the Countess of Alba he is confronted for the first time with the realities of war, with the blood and the suffering that has fuelled his art.

The events force him to realise his complicity in these atrocities; the opera ends with Goya in Barker's words "painting himself into oblivion", as he begins a neutral, formal portrait of the Man Without a Conscience, the owner of the house.

Fundamental to the conception is a division of the part of Goya between an actor and a singer. Barker created the spoken role for Ian McDiarmid, the Almeida's artistic director; Omar Ebrahim takes charge of the vocal lines.

They create a powerful dual image at the centre of the piece, the one deaf, raving and incoherent, the other all vision and lyrical articulacy.

The other principal roles are sung, but the interplay of actors and singers is carried over into the six-strong chorus, the Chorus of the Maimed, which creates the vocal background against which the main events are etched, a soundscape of guttural sounds and whispers, explosive horror and menacing gestures.

This is Osborne's third opera, and by some way his most consistently satisfying. After the miscalculations of the Opera Factory *Hell's Angels* in 1985, and the intermittent success of *The Electrification of the Soviet Union* for Glyndebourne in 1987, *Terrible Mouth* has a high musical specific gravity and tight dramatic coherence.

It last barely 80 minutes yet delves deeply into its subject matter; there are wonderful tensions between lyrical beauty and grim reality, some sonorous vocal lines and a harmonic scheme that plots the course of the opera with confidence.

Osborne uses an ensemble of cellos perched high upstage as the basis of his musical structure; the remaining instruments, wind and percussion, provide local colour and sudden expressive effusions.

David Pountney's production sustains and reinforces these nightmare visions and passing moments of lucidity. It is spare and direct, with the minimum of scenic clutter (design by Nigel Lowery) and gives free rein to McDiarmid's vivid performance.

Ebrahim's intense Elizabeth Laurence is the Duchess of Alba, seductive and unfeeling by turn, Richard Van Allen the reptilian Man Without a Conscience. Neill Archer doubles the role of servant and revolutionary Captain; Clive Bayley is the sadistic surgeon, a sibling to the manic Doctor in *Wozzeck*, while Anna Steiger is the Hooded Figure, the image of death and destruction whose rapt utterances articulate Goya's voyage of psychological revelation.

They all contribute to a demanding piece of music theatre which may be short on compassion but is consistently absorbing and most eloquently argued.

Andrew Clements

Almeida Theatre; further performances on July 13, 15, 16 and 18

South African theatre after apartheid

It has taken the visit of an American director to stir the stagnant waters of South African theatre. Two decades of cultural isolation, combined with the widely-felt need to testify against apartheid, have created a local drama scene in South Africa of much energy but little variety. Now directors, writers and actors face new possibilities. But inevitably many find it difficult to shift their focus, to find new ways of saying and showing.

Professor Richard Schechner of New York University is the first international director of repute to work in South Africa for a long time. He is a guest director at the current Standard Bank National Festival of the Arts in Grahamstown, the elegant university town which was once at the heart of 19th century settler-Xhosa wars.

Schechner, who was jointly sponsored by the bank and the US government, has brought August Wilson's play, *Ma Rainey's Black Bottom*. He cast and rehearsed it in Johannesburg, using mainly unknowns, before opening it at the festival this week.

The play is set in a Chicago blues recording studio in the Twenties and is a cameo of racial attitudes then and now. Unlike most of the 120-odd plays at the festival, it is not set behind a proscenium arch; instead, Schechner uses the entire auditorium as a stage.Thus the focus falls on the stage, rather than circumstances alluded to; on direction rather than performance; and on unspoken intimacies and nuances of relationship rather than statements. This obliqueness is foreign to the often strident realism and rhetoric of local theatre as it has succumbed to the twin pressures of reduced public funding of the arts and anti-apartheid orthodoxies.

The production represents one fruitful direction for the future. Others are emerging as artists face what Nadine Gordimer, echoing the psychologist Erich Fromm, calls the "fear of freedom".

For the first time, a state-sponsored arts council, the Performing Arts Council of the Transvaal, has staged a work by the Nobel Prize-winning Nigerian poet and dramatist, Wole Soyinka. His *Death and the King's Horseman*, staged with statuesque simplicity, depicts the conflict between British colonial values and tribal custom. The tribal scenes are written with often operatic flamboyance, the colonial with easy, sardonic wit. The production boasts several fine performances, notably one of weary cynicism by one of the country's most impressive actresses, Nomhle Nkonyeni, who started her career with Athol Fugard's Serpent Players in Port Elizabeth in the Sixties.

A variant of the focus on the local is the blending of Fugardian psychological realism with the exuberant expressionism of song-and-dance of black improvised theatre. The blend is still uneasy, with marked gear-changes from action within the stage, which the audience observes, to action intended to arouse the audience. Breaks in narrative flow for a toyi-toyi performance (toyi-toyi is the march dance used by black militants) to underline a politically correct sentiment demand a degree of flexibility of the audience.

This artistic eclecticism is seen, for example, in *Life in Hostels* by the Zakheni Cultural Group, which also demands trilingualism, being performed in an insouciant mixture of English, Afrikaans and Zulu, like many workshopped plays. The play takes place in a hostel for migrant mineworkers: intense, poignant revelations of degradation break suddenly into rousing tribal songs and dances; horrifying disclosures are swiftly followed by mordant comedy.

Such violent disjunctions are smoothered in *Ekhaya-Museum Over Soweto* by painter/writer Matsemela Manaka. His musical is about a returning exile's dream of establishing Soweto's first museum. A band is on stage; the master of ceremonies is drunk and libellous; uplifting speeches are made at the audience, and calabashes of beer passed round. The ritual of the opening ceremony is intentionally blurred with the rituals of performance.

Multi-culturalism is more smoothly achieved in The Nuga Moya *Cinderella* by Natal's Theatre for Afrika. Their musical burlesque is set in a rural post office, complete with a gallery of South African types: the officious postmaster, the right-wing clerk, the resentful, militant son of the dead tea-lady. To raise money for his education, the post office staff stage a version of *Cinderella* for the village, setting their version in a Zulu kingdom. The white right-wing clerk plays the king; the handsome prince is played as a Soweto rock singer who is not too interested in rural grandeurs; the ugly sisters are played by a white and a black clerk. Ostensibly a light comedy, it consciously creates an image of hope and co-operation, identifying what is and what might be in the country at large.

Facing new freedoms has also encouraged South African playwrights to deal with topics previously considered insignificant: preserving wildlife; sexual inequality; sexuality itself. A bizarre feature of this new freedom is some nostalgia for the immediate past – of about three years ago. An Afrikaans duo has disinterred early Boer and Afrikaans songs, which they perform with all the flair of cabaret and disco. When they do the national anthem, *Die Stem* and come to the verse which talks of dying for the country, black audience members are stalking out, to the performers' apparent surprise.

White audience members took the same line when the country's best-known satirist described sex with identical twins in what is his first mature, well-made play, *Die Vleiroos* (The Marsh-Rose). Pieter-Dirk Uys's play is his first to plumb beneath political surfaces. Like a surprising number of new South African works, it features a motif of a father-figure, dead but still influential, whom strong, living and often crazy women fight against. It's an apt metaphor for the emergent South African theatre.

Robert Greig

INTERNATIONAL ARTS GUIDE

■ FESTIVALS

AIX-EN-PROVENCE
The festival opens tonight with Don Giovanni, conducted by Armin Jordan with a cast including Andreas Schmidt, Hillevi Martinpelto and Marianne Rohrholm (also July 17, 21, 24, 26, 29, 31). Robert Carsen's production of Britten's A Midsummer Night's Dream – one of last year's hits – is revived on Wed (also July 18, 22, 27). The Rake's Progress opens on Thurs, with Kent Nagano conducting a cast led by Samuel Ramey as Nick Shadow and Tatiana Troyanos as Baba the Turk (also July 20, 25, 28, 30). Theodor Guschlbauer conducts Beethoven's Missa Solemnis tomorrow evening, and Samuel Ramey gives a Rossini concert on Sun. William Christie conducts Les Arts Florissants in a Monteverdi concert next Tues. Ends July 31. (16) 4217 3434

AVIGNON
Avignon is one of many festivals gripped by Spanish fever this year. Lluis Pasqual's production of Lope de Vega's Le Chevalier d'Olmedo can be seen daily till Sun (except tomorrow) at the Cour d'Honneur du Palais des Papes. A French version of Cervantes' Le Siège de Numance runs daily till Sat at the Cloître des Carmes, where the first of four performances of Pasqual's Lorca compilation, entitled Los Caminos de Federico, can be seen next Mon. The festival also has a strong focus on traditional Latin American music, including a series of Mexican dance evenings at the Cloître des Célestins. Ends Aug 3. (90) 862443

GLYNDEBOURNE
The final two weeks of this year's festival – the last in the theatre built by John Christie – are devoted to Death in Venice, Jenufa and The Queen of Spades. Robert Tear is Aschenbach in the Britten production (tonight, Thurs and Sat). The Janacek (tomorrow and Fri) is one of Glyndebourne's most successful productions of recent years, thanks to Yakov Kreizberg's conducting, Nikolaus Lehnhoff's staging and a cast led by Roberta Alexander and Anja Silja.

The Tchaikovsky (Wed and Sun), staged in tough theatrical terms by Graham Vick, also comes over with overwhelming force, thanks to Andrew Davis' conducting, the playing of the LPO and a cast led by Nancy Gustafson, Sergey Leiferkus and Yury Masurin. Ends July 24. (273) 541111

MACERATA
The festival opens at the Sferisterio on Wed with La traviata, conducted by Gustav Kuhn and designed by Josef Svoboda (also July 18, 26, 30). The programme later this month includes La sonnambula with Mariella Devia and four Rossini one-act comic operas. Ends Aug 11. (733) 230735

MONTPELLIER
The Radio France festival, which opens tonight with a concert performance of the original version of Aida (1871), devotes itself to off-beat operas, interspersed with a broad mix of symphonic programmes. Mark Kaplan plays Walton's Violin Concerto on Wed with the Orchestre Philharmonique de Radio France conducted by Marek Janowski. Sian Edwards conducts Friday's performance of Oedipe à Colonne, a Gluck-inspired opera written by the Italian baroque composer Antonio Sacchini during his stay in Paris. Stephen Hough plays Mendelssohn's First Piano Concerto in a symphonic programme on Sat conducted by James Loughran. Next week's performances include Handel's oratorio Jeptha and Puccini's Edgar, with Françoise Pollet. Ends Aug 1. (67) 616681

MONTREUX
This is the final week of the jazz festival. Ringo Starr and his All Starr Band give tonight's concert at 20.30. Tomorrow: Bobby McFerrin and Herbie Hancock. Wed: George Duke with special guests Herbie Hancock, Wayne Shorter and others. Thurs: Brecker Brothers and Tracy Chapman. Friday's concert is a tribute to George Wein and Stéphane Grappelli, and the grand final gala night on Sat features Quincy Jones, Ray Charles, Rake 6 and others. (21) 963 8282

ORANGE
This year's performances in the open-air Theatre Antique are Carmen with Kathryn Harries, Neil Shicoff and Barbara Hendricks (July 18 and 21), a Berlioz concert with Isabelle Vernet soprano soloist (July 20) and Il trovatore with Sharon Sweet and Lando Bartolini (Aug 8 and 11). (90) 518383

RAVENNA
The closing production of this year's festival is Il matrimonio segreto in Teatro Algheri, conducted by Gianluigi Gelmetti and staged by Michael Hampe (July 15, 17, 19, 20). There is also a ballet production at the Teatro Rossini-Lugo (July 14, 16, 18), directed by Micha van Hoecke, with music by Roberto Solci and featuring the Swingle Singers. Ends July 21. (544) 32577

SAVONLINNA
The Savonlinna Opera Festival, set in the imposing surroundings of Olavinlinna Castle in Finland, is celebrating its 25th anniversary. This year's programme consists of Fidelio, Aida, Die Zauberflöte and Porgy and Bess. The new production of Fidelio (Thurs and next Mon) is staged by August Everding and conducted by Leif Segerstam. Aida (tonight, Fri and next Tues) has a cast of distinguished Finnish singers, including Matti Salminen and Tom Krause. Die Zauberflöte (Wed and Sat) is conducted by Hans Graf, and sung in Finnish. There is a final performance tomorrow of Laszlo Seregi's production of Prokofiev's ballet Romeo and Juliet. Ends July 31. (57) 514700

SCHLESWIG HOLSTEIN
The Labeque sisters, with the John McLaughlin ensemble, give tonight's concert in Salzau. Trevor Pinnock and the English Concert visit Rendsburg and Bad Segeberg on Wed and Thurs. Rudolf Buchbinder gives piano recitals in Heide and Altenhof on Fri and Sun. The Lithuanian Chamber Orchestra begins a tour of the region at Kiel on Fri, with festival director Justus Frantz soloist in Mozart's Piano Concerto No 22. Georg Solti conducts the Festival Orchestra in a Wagner and Schubert programme at Neumünster on Sun. Later in the month there will be a chance to hear the King's Singers, the Hilliard Ensemble, the cellist David Geringas and the Lithuanian National Symphony Orchestra. Ends Aug 23. (431) 567080

SIENA
The Incontri in Terra di Siena, a chamber music series in Pienza and other small towns in the Val d'Orcia, south of Siena, opens on July 22 and continues till Aug 9. The opening concert in Sinalunga is given by the European Community Chamber Orchestra. Booking for concerts and dinner can be made through Incontri in Terra di Siena, Casella postale 6, 53042 Chianciano T (Siena), Italy. Tel and fax (578) 64050

TANGLEWOOD
The Boston Symphony Orchestra's summer home offers a series of Beethoven concerts this week. Seiji Ozawa conducts tomorrow's programme, which features Alfred Brendel as soloist in the Fourth Piano Concerto (Tanglewood says Brendel has recovered from his recent indisposition). Thursday's recital by the Emerson Quartet is devoted to the Razumovsky quartets. On Friday and Sunday, Brendel plays the other four Beethoven concertos. Saturday's programme, featuring the Violin Concerto (Thomas Zehetmair) and Seventh Symphony, is conducted by Roger Norrington. Next Tues: Boston Pops. Ends Sep 1. (413) 637 1600

VERONA
This year's operas at the Arena are Don Carlo, Nabucco, Aida and La bohème. There are four performances this week: La bohème on Thurs with Lucia Mazzaria and Alberto Cupido, Aida on Fri and Sun with Sharon Sweet, Nicola Martinucci and Gail Gilmore, and Don Carlo on Sat with Luis Lima, Renato Bruson and Aprile Millo. Nabucco opens on Aug 7. Ends Aug 30. (45) 590109

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly - global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

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Monday July 13 1992

Finita la commedia

"CRISIS" HAS so long been the normal state of Italian politics and state finances that foreigners are in danger of underestimating the crisis Italy is now experiencing.

A rampant public sector deficit, an inconclusive election result followed by a 16-ballot presidential election, the country's top anti-Mafia magistrate murdered, leading politicians indicted for corruption, a fragile government formed after prolonged horse-trading, the public contemptuous of politics: so what else is new? Italians will go on working and making money, even if much of it is concealed from the authorities. Italy will remain a delightful country to visit and an enjoyable if sometimes exasperating one to do business with. Its politics, happily, will remain the least interesting thing about it.

Perhaps that instinctive response of the outsider will prove right, yet again. But this time Italy may have to confront some painful choices. The corruption and irresponsibility of the postwar state has in some respects been cumulative rather than static. The scale of corruption revealed by the current scandal in Milan - particularly in the higher reaches of the Socialist party - goes beyond what even the most shameless politician would have attempted in the 1950s or 60s: one reason why it has come to light is that contractors can no longer afford kickbacks of the size demanded. Similarly the proportion of revenue absorbed in servicing the public debt has grown to almost unmanageable size.

The recession does not help, even if it has affected Italy later and less drastically than other European countries. In addition, the convergence criteria laid down at Maastricht present a serious challenge to a country which needs both economically and psychologically to be in the European Community's first tier.

Above all, the Italian state is a child, and therefore now an orphan, of the cold war – its domestic politics dictated by the choice in favour of the west made in 1948. It has put up with an ever more corrupt and inefficient political system mainly because the only alternative appeared to be a communist-dominated government. But today, communism is no longer an alibi for the ruling class. That is why last April voters plumped in unusual numbers for maverick, anti-system parties, including some which call into question the unity of the country.

The result of that election is paradoxical: a government composed of the same parties as before, with a narrow majority, but conscious of the need for drastic fiscal and institutional reform. It has begun boldly, by taking the axe to Italy's legendary cornucopia of a state pension system. If it carries on like this it should, according to the traditional rules, collapse. But this time traditional rules may not apply. Maybe the government will be able to appeal over the head of parliament to a wider public, which knows that the price of the usual governmental failure would this time be too high.

Selling the recession

NOT BEFORE time, the British government has realised that if its economic strategy is to succeed it must deploy the most important weapon in its political armoury: persuasion. There are many Conservatives who are unconvinced that the gain, which lies in the future, is worth the present pain. Some, notably on the backbenches, openly question whether there will be a recovery unless there is a complete change of direction – a withdrawal from the exchange rate mechanism, say, or a temporary flotation of sterling. Yes, inflation is down, it is conceded, but where is the growth? They – and the country – need reassurance that there is something of value to be had for what has been called a price worth paying: that low inflation alone is not the whole prize.

Mr Norman Lamont started the process of persuasion in a frank speech on Friday night. The chancellor's determination to stick to the government's hawkish anti-inflationary stance could not have been more clearly stated. It was supported by the prime minister in an interview published yesterday. Given where the economy now stands, it is argued, there is no alternative but to stick with a hairshirt strategy whose nature should have been clear when Mr John Major, himself then chancellor, took Britain into the ERM nearly two years ago. Unfortunately, the case for a long hard slog was blurred by 17 months of electioneering, during which it was intimated by both Mr Major and Mr Lamont – not to mention the Treasury's economic forecasts – that recovery was just around the corner.

Now that the election is out of the way the original argument must be rehearsed all over again. If the prime minister was hesitant about selling his strategy after April 10, it may be because he genuinely believed that consumer confidence would return once the threat of a Labour government had been removed. Mr Lamont, who has shown greater courage and persistence under pressure than most of his postwar predecessors, has until now been slow to perceive that you cannot hope to lead the British public on a long march towards permanent near-zero inflation unless you explain the benefits of such an endeavour. The need for political salesmanship will increase if there is no sign of an upturn after the summer holidays.

By that time, backbench doubts about the management of the economy will be bound up with doubts about the wisdom of ratifying the treaty on European union agreed at Maastricht. Mr Major has been robust in his responses to the Eurosceptics behind and above him, but the Tories remain divided. Yet, as with the ERM, there is no alternative for the government to the policy of keeping Britain "at the heart of Europe". This means ratifying Maastricht, unless the French veto it. The government is engaged in a doubly heroic endeavour. If it fails, so too do the prime minister and the chancellor. No wonder they have come out fighting.

Not at all costs

NOBODY SHOULD think that last week's outline debt accord between Brazil and its leading creditor banks means the country has surmounted its foreign debt problem. The risk that the outline deal will never be completed is high and, even if completed, default would still be possible.

Things are not totally bleak. The agreement might strengthen the position of Brazil's relatively competent economic team. The government is also publicly optimistic that its tax reform – essential to the accord's viability – will pass through Congress this year. Yet in no other country embarking on a Brady agreement has economic reform been so prone to reversal: in no other country has inflation been so high and the government's control over its finances so weak; and nowhere else has the government's hold on power been so fragile.

Brazil cannot boast a record of fulfilling its debt commitments: its 1988 pre-Brady restructuring agreement lasted for less than a year. A "Brady accord" is different from previous restructurings. Under this approach, most debt is converted into marketable bonds. Once these bonds have been sold into hundreds of portfolios, any future restructuring would make the current effort, hard as it is, look easy. Since the immediate cash benefits are modest, the main value of the Brady deal to Brazil would be improved access to external market finance. That access could be shut off quickly if things went wrong after the deal is completed. If so, the deal could make things worse, not better.

While the banks may see short-term gains – the agreement should allow them to write back provisions and leave them with more readily marketable securities, instead of loans – a subsequent failure would hurt their portfolios, too. A possible knock-on effect would be a reduction in the value of their assets in other Brady countries.

Successful implementation of this package will almost certainly require support from the International Monetary Fund and the World Bank. But Brazil's current IMF standby programme has missed its first quarter targets and looks likely to miss its second quarter ones too.

Both institutions are likely to come under political pressure – not least from a US administration that would like to claim it has solved the debt crisis – to back the deal. If the fundamental economic case for supporting Brazil is weak, however, they should not yield.

This outline deal should not be completed at all costs. A deal that ultimately collapses would be worse than reaching no deal at all.

M and S is stepping up its international expansion, writes John Thornhill

A European spark for Marks

It is a curious fact that at this time of year Marks and Spencer's store in Boulevard Haussmann, in the heart of Paris, sells more muffins than all its 280 UK stores combined.

Other quintessentially British products, such as crumpets, pies and sliced white bread, as well as *les slips, les boxer-shorts* and *les twin-sets en lambswool*, also "just walk out the door" – as retailers are fond of saying – helping to make Paris the second biggest selling store in M and S with annual sales of more than £80m.

After 17 years of experimentation, M and S's 18 stores in four countries in mainland Europe are conspicuously coming good, vindicating the company's decision to expand its business overseas and prompting a further increase in its investment programme.

At this week's annual meeting, M and S's directors will no doubt highlight the strong performance of its European operations, which, in spite of heavy opening costs, increased pre-tax profits 13 per cent to £23m last year on sales of £193.7m. They will also point out the potential they still see in mainland Europe, and their target of opening another 20 or so stores by 1995.

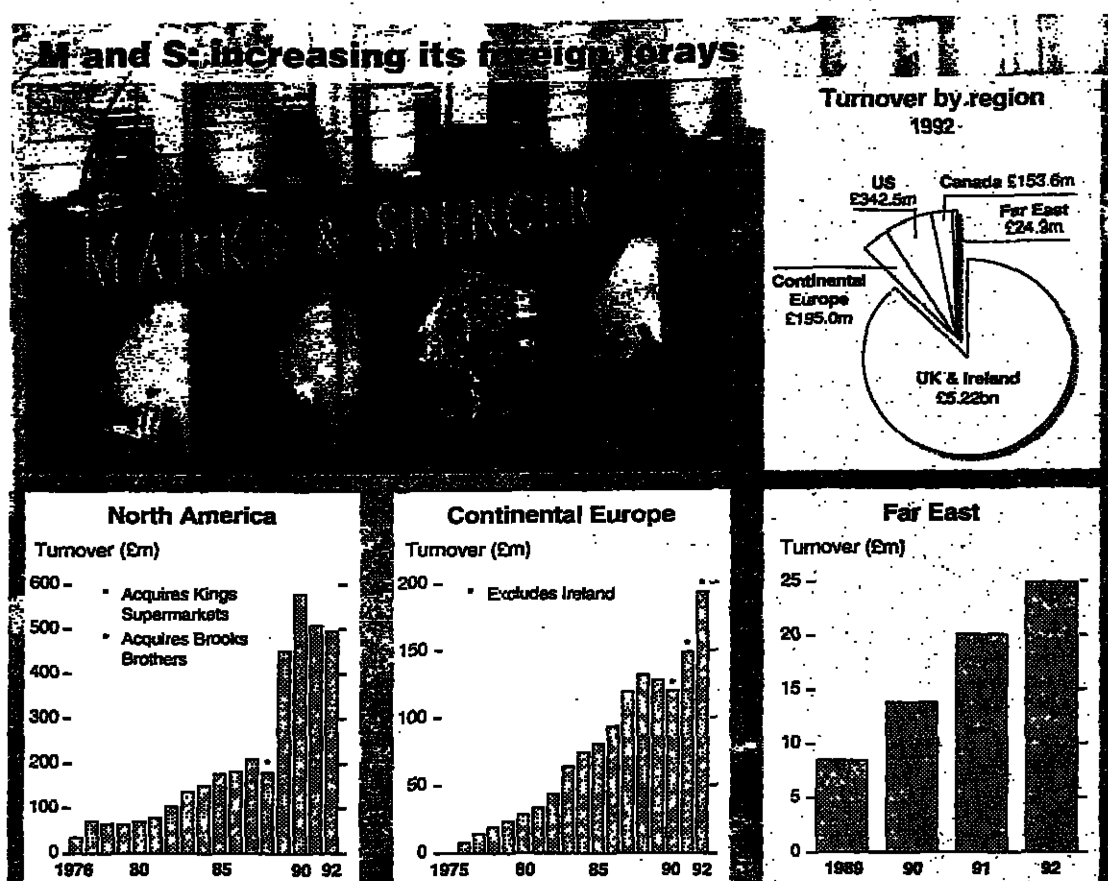
M and S aims to build its European sales to £1bn in Europe by the end of the decade, producing profits in excess of £100m. Although this will still represent a small proportion of its total business it will be a crucial element in sustaining its growth momentum. "We simply see faster sales growth overseas than in the UK," says Mr Nigel Colne, the board director in charge of European operations.

M and S's success at expanding in Europe and the Far East – where it runs four highly profitable stores in Hong Kong – contrasts sharply with its experience in North America. Its three Canadian businesses, acquired in the 1970s, have lost C$50m (£22m) over the past four years and are now being severely pruned. Its two US companies, Kings Supermarkets and the Brooks Brothers clothing chain, which between them cost it $866m have – as yet – failed to produce a return.

M and S's varied international forays therefore provide a good illustration of the possibilities and pitfalls of expanding a retailing business overseas – a task that an increasing number of UK retailers are attempting in the face of saturated home markets and the slowly evolving reality of the single European market.

UK retailers need few lessons in how difficult it can be to follow the management maxim of the moment, "think globally, act locally". Over the past decade, scores of UK retailers, including Dixons, John Menzies and Sock Shop, have bought businesses in the US, having been seduced by the seemingly similar business culture and language. In 1980-88, UK retailers accounted for almost 60 per cent of the $14.8bn invested by foreign companies in the US retail sector. With a few exceptions, these investments have produced dismal results.

Of course, the depressed market conditions for all retailers in North America have checked the progress of many UK companies. But there is also a more general management lesson to be drawn from their collective experience: that it is exceptionally hard to make overseas retail acquisitions work, especially when they are more than 3,000 miles away. Organic expansion in nearby countries – often facilitated by joint ventures or franchises – can be a far safer, if less spectacular, route to successful expansion.



Source: Marks and Spencer

M and S is certainly now convinced of this. With almost no debt and a triple-A credit rating it would be easy for the company to gear up to make a big acquisition in Europe – assuming one could be found. But so far at least it has chosen not to. "I strongly believe in our current strategy of growing the business on an organic site-by-site basis. It may be relatively slower but it does enable us to learn as we go, to limit our mistakes and have a more profitable business at the end of the day," says Mr Colne.

Yet it has taken M and S a long time to be persuaded by its own success. M and S opened three stores in Europe – in Paris, Brussels and Lyons – in 1975. This early involvement, says Mr Colne, owed more to gut feel than science. "In the early 1970s, the then chairman, Lord Sieff, instinctively thought that we ought to test ourselves internationally," he says.

The European stores initially encountered many problems: their products were panned for their high prices and poor style, and some of their trading policies – such as accepting returns of ill-fitting clothes – were simply not understood by customers. The absence of fitting rooms particularly rankled the French, who insisted on trying on goods before they bought them even if it meant stripping down to their bras on the sales-floors. M and S was forced to install them.

Most French retail outlets are either bazaars or boutiques; M and S is neither. It took shoppers a long time to understand what the company was all about. "Our reputation for quality and value went before us in the UK as a result of our 100-year history. Here, we have had to earn it," says Mr Jim McDonald, manager of the Boulevard Haussmann store.

As a result of the initially poor investment returns from Europe, the head office's attention wandered across the Atlantic in the 1980s. But by the end of the decade, frustrated by the vagaries of the US marketplace, and with the European business beginning to post significant sales improvements, the board decided to make a greater commitment to mainland Europe.

The rate of expansion has now accelerated. In a two-month period at the end of last year, M and S opened five new stores in mainland Europe, in Seville, Nantes, Toulouse Amsterdam and Liège, and completed a big extension. In the previous 15 years, M and S had opened just seven.

Most of the outlets it has opened are wholly owned, but this policy is adapted to meet the needs of specific markets. For example, in 1989, M and S concluded a 60:40 joint venture agreement with Cortefiel, one of Spain's largest retailers. This led to the opening of one M and S store in Madrid and another in Seville.

Cortefiel, which runs its own fashion chains and a clothes manufacturing business, had a deep knowledge of the fast-moving but relatively under-developed Spanish retail sector.

M and S has also been rapidly expanding its network of franchises in small markets which do not justify the full M and S "treatment". The company has built up a franchise network in 17 countries, from the Bahamas to Norway, from Israel to Singapore with almost no capital investment on its part.

Further franchising opportunities exist in eastern Europe and the Far East. One of the great advantages of having stores in Hong Kong, according to Mr Colin Buchanan, Far East manager, is to keep an eye on the "huge demographic and economic shift" that is taking place towards Asia. "It would not surprise me if we were trading in mainland China in five years," he says.

But in the immediate future the priority markets are France and Spain. Another Paris store in the Rue de Rivoli is planned, while Valencia, Nice, Rouen and Marseilles are also on the opening list.

Further out, the company believes there will still be great scope for growth in Europe. The total clothing markets in the UK, France, Spain, Holland and Belgium – where M and S runs its wholly-owned stores – are worth about £70bn. The German and Italian markets combined are worth the same.

M and S stresses that the creeping internationalisation of the business does not just bring in extra sales, it also strengthens its UK operations. By moving abroad, its management expertise improves, its retailing skills are more rigorously tested, and its buying knowledge becomes more sophisticated.

M and S says the investment returns from Europe are comparable to those obtained in the UK although the financial profile of its continental operations is very different. Prices are up to 25 per cent higher than in the UK but then management and distribution costs are also greater.

Sales intensities are lower because of the lesser number of customers. M and S obtains sales per square foot in excess of £500 in the UK – considerably higher than all but the best of its European stores.

Its mainland European stores also act as a test bed for its latest fashions, as the seasons start slightly earlier than in the UK. New concepts, materials and styles are quickly assimilated into the central buying information pool.

But a vast *mélange* of commercial and cultural differences continues to make international retailing a demanding business; M and S readily admits it still has much to do to improve the way it communicates with customers.

The store's managers in Hong Kong were horrified to learn that the local Chinese were eating the *pot pourri* displayed in the stores, believing it must be some delicacy. Spanish customers discovered that brandy butter did not taste good on toast. The French did not appreciate Christmas puddings until they learnt they had to cook them.

But successful as its European operations have been, they have not yet fully benefited from what in the UK is M and S's greatest source of competitive advantage: its dominant size. M and S's purchasing power concentrated on a relatively narrow range of goods, its 15 per cent share of the clothing market, and a constant flow of 14m regular customers enable it to derive big economies of scale.

Although the European stores can feed off some of these strengths, they still lack the necessary support infrastructure to offer the full M and S catalogue of goods. In foods, for example, the company has not yet made the investment it needs to build a chilled distribution chain for its short shelf-life products.

But there are signs that M and S is close to reaching critical mass in Europe, enabling it to broaden its appeal and become a true mass market retailer. At present, M and S's gross profit margin in Europe is 10 percentage points higher than in the UK, partly as a result of the higher prices charged overseas and the different product mix: the balance between sales of the higher-margin clothing and lower-margin food is 60:40 in the UK; 90:10 in Europe.

"Our philosophy for the years ahead will be to drive down margins to increase volume," says Mr Colne. "I would like to think that in five years we will have far more customers and so be able to reduce prices. We will then be able to repeat the virtuous circle we achieved in the UK both of improving value and increasing market share."

Samuel Brittan

Debt workout dangers

Norman Lamont's analysis, in his speech on Friday, of the various deceptive quick fixes for getting around, or out of, the exchange rate mechanism (ERM) constraints should be read in full. It can be obtained from HM Treasury Press Office, Parliament Street, London SW1P 3AG. Tel. 071-270 5238; Fax 270 5244.

Mr Lamont is enough of a politician to know how much he is putting himself out on a limb and that the official Treasury would not hesitate to leave him as a scapegoat if it changed its mind about the appropriate policy regime.

I shall say nothing more about the ERM until after the Bundesbank council meeting on Thursday, and instead turn to a problem that could weaken the whole industrial world and, with it, debilitate the ex-Communist countries and the third world as well.

This is an aspect of the debt problem. It is often said that recovery is held back because people and businesses prefer, whenever they receive some cash, to reduce debt rather than buy more goods and services. The problem is acute in the US and Japan and therefore cannot be blamed on the ERM.

The nature of the threat is little understood. If it were just a question of people wanting to get their indebtedness down while incomes remain the same, before resuming normal purchases, it would not be the end of the world. Economic growth never has been and never will be an entirely smooth process. But it could be worse.

Let us take a closer look at the process of repaying debt. Is it just working off the excesses of the previous boom? It would be easy to understand the need for it if there had been great physical mal-investment in the wrong industries or processes – the extreme example being the obsolescent and polluting plants in the ex-Communist states.

I have to pinch myself, however, to see excess debt in a similar light – why people should be unemployed and capacity unused because of entries on balance sheets. A possible reason is moral hazard. If imprudent, or even just unlucky, borrowers are always to be bailed out by official policy, they would have every incentive to do it again, which can hardly be good for the long-run development of the economy. The purpose of leaving people to work through their own debt is to teach them that there is no such thing as free or riskless credit.

There is, however, a precise way in which the debt workouts can go too far. One person's spending is another person's income. If I cut down my spending too far, your income is reduced and with it your ability to service your debt, which in turn will hit your expenditure. A cumulative downward process – which might be called the debt repayment multiplier – is thus a possibility. If it were to happen, it would not necessarily show up fully in the savings ratio, as incomes would be reduced as well – a subtlety that is usually missed.

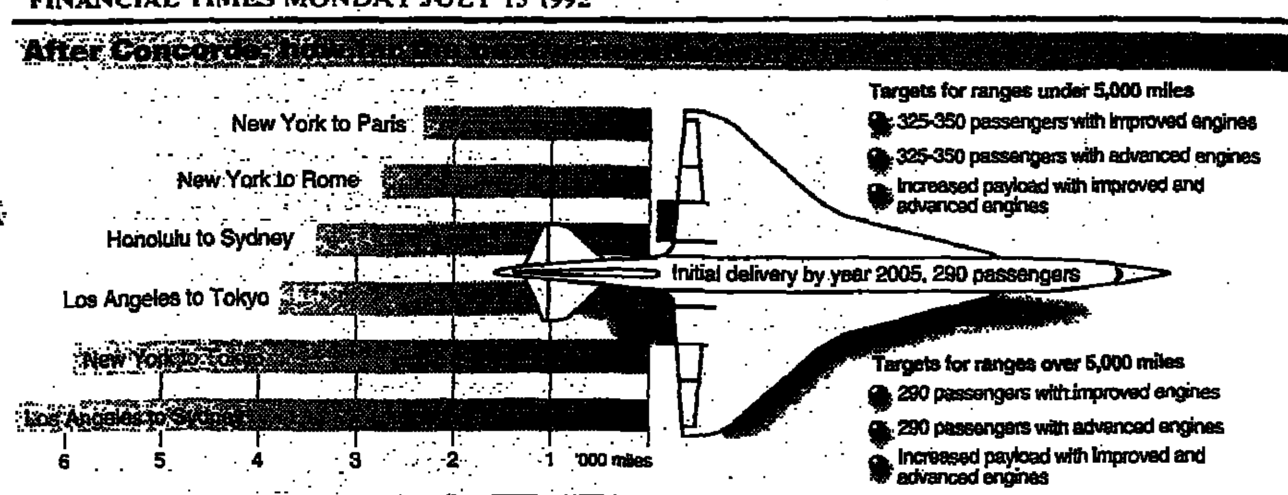
The boy who cried wolf should have drawn a sketch so his family would have known what to look for

We are talking of dangers not actualities. There is little sign of such a downward multiplier in operation. There are plenty of cushions which normally prevent it. Moreover, it is normal at the end of every recession for some people to fear that the economy is entering a new long-term depression just when it is about to turn upwards. The OECD Economic Outlook showed that gross national product (GNP) in the main industrial countries has risen by an estimated 5 per cent per annum in nominal terms in the first half of 1992. By no standards is this a cumulative downward spiral.

Those who think otherwise still suffer from the delusion that governments have the power to manage demand in real terms, irrespective of what happens to prices and pay. Even after Britain's anti-inflation success, the underlying RPI has still only moved down to 4.8 per cent per annum - enough to take up nearly all of a normal 5 per cent increase in spending, leaving little room for real growth.

It is always wise to be prepared. The boy who was disbelieved because he cried "wolf" too often would have been better employed drawing a sketch so that his family would have known what to look out for. What is lacking among the leaders of the Group of Seven is a recognition of their responsibility to maintain – but not to inflate – world demand in nominal terms. This may not be easy, if people react perversely to such stimuli by saving all the more. There could in the end be a need for New Deal strategies which might guarantee certain kinds of credit.

But we are far from being there yet. So far, the G7 leaders have not even recognised their responsibility for managing nominal demand jointly. The ones who talk about demand and growth – mainly the Americans – forget the little word "nominal" and still believe that they can influence directly the real economy. But many of the others do not seem to recognise any responsibility for demand management and have thrown out the Keynesian baby with the bathwater. We all need to get out our sketch-books and look out for wolves.



Old age threatens to clip Concorde's wings

The next generation of supersonic airliners will require an unprecedented level of international co-operation, says **Paul Betts**

From the British Airways headquarters at London's Heathrow airport, mechanics could be seen examining the rudder of a Concorde sticking out of the big hangar known as Technical Block B.

The rudders of each of BA's seven Concordes, the flagships of the airline's fleet, are normally inspected after every 50 to 100 flights. But BA is now subjecting this section of the aircraft to minute checks after every five flights. This follows a series of incidents in which parts of the rudder have fallen off in supersonic flight, although none represented a serious risk to the aircraft.

For BA, the UK airworthiness and air accident authorities, and the manufacturers, Concorde's rudder problems have been an embarrassment. They have also raised questions on how much longer the world's only supersonic passenger jet, which entered regular service with BA and Air France more than 15 years ago, can continue flying and whether a new generation of supersonic aircraft will eventually be developed to replace it.

Since 1989, three BA Concordes have lost large sections of their rudders in mid-flight, most recently on March 21, when a New York-bound Concorde lost most of the upper section of its two-piece rudder while flying at 56,000 ft at Mach 2, or roughly 1,300 mph.

In all three cases, the aircraft, which yesterday completed 250,000 supersonic flying hours in commercial service with BA, flew safely to its destination. "It's not critical, but the fact it happened more than once makes it serious," says Mr Alistair Cumming, BA's director of engineering.

To leave nothing to chance, BA has *now asked* British Aerospace, responsible for the original rudder design, to manufacture a new series of rudders for its Concordes for a total cost of about £5m.

Although the new equipment is expected to resolve the fault, the rudder failures are signs *that the aircraft is showing its* age. BA said the supersonic hours flown by Concorde now totalled more than the supersonic flying hours completed by the combined air forces of the west since the introduction of supersonic combat aircraft. And unlike subsonic jets, Concorde has had to operate in more stressful conditions with *the aircraft* subjected to more intensive and frequent changes of temperature when flying at Mach 2.

Each Concorde is at present cleared by the UK and French airworthiness authorities to fly a total of about 7,000 supersonic flights. BA's supersonic jets have already completed about 4,000 flights and are expected to reach their current operational limit by 1998-99.

BA and Air France, together with the airframe manufacturers (BAe and Aérospatiale) and the engine suppliers (Rolls-Royce and Snecma), are working to try to extend Concorde's life into the next century. The airlines hope to stretch the life of Concorde until 2010.

The challenge is to keep Concorde until a second-generation supersonic airliner is ready

This will require design adjustments and improvements on which the airlines and the manufacturers are already working. Mr Cumming *said BA would be fitting one of* its operational aircraft with instruments to measure the stress on the airframe structures to provide the information to tackle any structural weaknesses and potential areas of distress.

"It could involve lots of small things like changing the radius of certain components *facing high stress or polishing* a surface," he said. On older subsonic aircraft, airlines and manufacturers usually wait until a crack appears on the airframe before taking action. But Mr Cumming said it would clearly be unwise to adopt the same procedure for Concorde.

The airlines expect the cost of improving the Concorde structure to be relatively small since adjustments would be phased in during the already exhaustive maintenance programme of each aircraft. Averaged out over a year, every Concorde undergoes 22 hours of maintenance for every one hour of flight compared with *seven hours of maintenance for* a Boeing 747 jumbo.

Although it was hit last year by the slump in airline traffic and the general squeeze on first class travel, Concorde in recent years has operated profitably for BA and Air France. Apart from regular transatlantic services, the two airlines have also developed successful charter businesses for their supersonic jet.

But for all its technical achievements, Concorde remains an economic failure. The profits BA and Air France make on their supersonic operations include no depreciation charge on the aircraft's £1.2bn development cost. And if the cost of keeping Concorde in service should suddenly jump and huge sums be necessary to refurbish and re-equip the aircraft, the airlines would have to re-examine the economics of *their Concorde operations.*

Apart from modifications to stretch the aircraft's working life, spare parts are likely to pose another big problem. Scores of different small components from a myriad of suppliers will have to be manufactured, redesigned or replaced. Careful planning, according to Mr Cumming, will be critical to *avoid the risk of spares running* short and eventually grounding the aircraft.

The challenge for the manufacturers and the airlines is to keep Concorde flying until a second-generation supersonic airliner is ready to replace it.

The aerospace industry has *already begun preliminary* studies on developing a supersonic aircraft about three times the size of Concorde. It would carry up to 300 passengers, compared with the 100 carried by Concorde, at Mach 2 over longer ranges.

But such an aircraft is unlikely to be developed before 2005-2010 at the earliest. It is *expected to cost more than* $10bn at 1992 prices and will need an unprecedented amount of international co-operation.

All leading airframe and engine companies agree to co-operate. "It would be very difficult for one company or one country to develop such an aircraft because of the big market and financial risks involved," said Mr Mike Henderson, head of the supersonic research team at Boeing.

The project faces a series of daunting questions: can international co-operation on such a scale work; will the manufacturers overcome hugely complex environmental issues to ensure no perceptible sonic boom over populated areas and no *significant ozone* depletion; can such an aircraft ultimately be economic?

"We are going to have to demonstrate that the aircraft is environmentally safe and show it is not just a toy for the rich," Mr Henderson said.

The industry is relatively confident it can overcome all the technical challenges of *developing a new supersonic* airliner. But Boeing research has shown that passengers appear willing to pay only relatively modest surcharges for supersonic flights of 10-20 per cent over subsonic fares.

"Concorde was a technological success but also a good example of something possible but not very useful for the *market,*" *Mr Henderson said.*

The message is clear. The industry is unlikely to develop another technological showpiece that makes little commercial sense. Instead, the market will decide when and if a new supersonic airliner is built.

OBSERVER

Failing a German test

■ The House of Warburg, which has been advising *Aachener* und Münchener Beteiligungs – Germany's second largest insurance company – in its battle with Assurances Générales de France is putting a brave face on its client's sudden rapprochement with the French insurance giant.

"A compromise rather than a climbdown," is how Warburg's Piers von Simson describes last week's outbreak of peace between the two feuding insurers. However, *it is yet another reminder of* how difficult it is for even a top London merchant bank to win its spurs overseas.

For a start, banks like Warburg are making a living in Germany defending what would be indefensible at home. They are good at advising their Continental clients on relative values, but twisting arms *behind Germany's corporate* scenes is a different task altogether. Hence, it is hard to measure their effectiveness in the recent spate of German bid battles.

By contrast, there is little *doubt that the end of* hostilities is a defeat for AMB's fiery chief executive, Wolf-Dieter Baumgartl. He had staked a great deal of his credibility on fending off the French. Like Horst Urban, *whose robust defence of* Continental Tyre against the Italians cost him his job, Baumgartl's days at the top of AMB seem to be numbered.

Stopwatch

■ André Agassi, the 22-year-old tennis champion, was wearing a wrist watch when he won Wimbledon the other day, and it was almost certainly made by Ebel, the Swiss watchmaker which has been sponsoring him for four seasons.

So why isn't Ebel highlighting the fact in its advertising campaign? An advert in *last Friday's* Independent focused on Agassi's victory in an obscure Frankfurt tennis tournament in November 1990 and mentioned a few other events which Agassi had failed to win. But no word of the most famous victory of all.

Perhaps Ebel's advertising agency should be sent to the menders.

Needled

■ Tales abound of how Mohamed Boudiaf, the Algerian president who was *assassinated last month,* lived a far more austere life than his predecessor Chadli Bendjedid.

When Boudiaf moved into the president's residence in January he was surprised to *discover that he had* inherited the services of one Francesco Smalto, an Italian fashion designer. Would the new president be requiring Smalto's services?

Boudiaf declined, pointing out *that* his old suits, which he had worn for years, would continue to do the job nicely.

Starting up

■ Georges Ghosn, the latest mogul to strut the French media stage, is a relatively unknown quantity even in France. He first popped up three years ago when he and his partners bought La Côte Desfossés, one of the bibles of the French stockmarket. Now he has acquired the loss-making La Tribune de l'Expansion, the country's second biggest financial daily.

"Where can you buy an EC directive on a Sunday?"

A 38-year-old Lebanese-born journalist, Ghosn came to Paris to study and soon afterwards began editing and *publishing various newsletters* specialising in Africa and the Arab world, for groups such as Kol-Al-Arab or Panarab Medias. For a while he published a newsletter in association with the Middle East Economic Digest.

His latest move is his most ambitious to date. He plans to merge La Tribune with La Côte, which publishes all the stock market prices, and produce a full economic and financial daily. But making it financially viable will not be easy, as the demise of La Tribune has indicated. And it might be difficult to merge the conservative editorial style of La Côte with the more aggressive style of La Tribune.

Polished off

■ Will the Midland Bank's new owners really be prepared to take the axe to the Midland's dead wood?

East Devon Polishers, a firm of French polishers, has *already registered its concern.* "These premises contain some of the most spectacular examples of fine British architecture and special woods still in existence", says East Devon in a letter to the Hongkong Bank's finance director. If the hatchet-men are let loose on Midland's old offices, *some of the woods will* "never be seen again owing to rain forest devastation and infestation of European hardwoods".

East Devon hopes that the Hongkong Bank will polish up its architectural strategy and spare Midland's dead wood. "We are certain, having worked in many banks, that the historic values and warmth of the older banks have a great appeal to the general public."

Pints of law

■ Who says a policeman's lot is not a happy one?

A member of North Yorkshire constabulary *admitted downing* 7½ pints of strong beer while investigating allegations of after-hours drinking at the Huntsman Inn at Drax. During a lengthy undercover operation, he and his two colleagues had consumed a total of 38 pints of ale and an unspecified number of whisky chasers, at a cost to the taxpayer of more than £50.

Still, the public purse has emerged with a profit. The pub's licensee was fined £1,200 and ordered to pay £190 costs.

Hot potatoe

■ Senator Al Gore, who is to *be Democrat Bill Clinton's* running mate for the US presidency, is not seeking the traditional televised debate with his Republican opposite number, vice-president Dan Quayle.

Instead, Gore has challenged Quayle to a televised spelling bee.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Economic options not so dismal

From Mr Walter Grey.

Sir, Your "Unhappily, all options are dismal" advice to economic policymakers ("A beleaguered government", July 7) itself erred, it seemed to me, on the dismal side.

First, rather than "push for the earliest possible move to (European) economic and monetary union with a (European) central bank that would look at the European economy as a whole, and not just one region of it", the government should immediately institute an independent Bank of England to manage the nation's money in place of, and more prudently than, vote-seeking politicians (ie itself). This is on the principle that sound monetary (and *economic) management, like* charity, begins at home. And it would pay the government, and the rest of us, hands down. *If nothing else, it* would bring interest rates down sooner and faster than otherwise.

Of course, the government should also drop its Emu opt-out clause, if only to retrieve London's (or other British contenders') otherwise lost chance of landing the valuable (not to say invaluable) price of providing that European central *bank's home.*

In addition, besides continuing to resist any idea of a sterling devaluation, within or outside the EC, with might and main, the government should take advantage of its current EC presidency to press for a *general* realignment centred, as in present circumstances it clearly must be, on a revaluation of the *D-Mark* (and so only indirectly constituting a devaluation of other ERM currencies, sterling included). Such a move would not only help Germany's own post-unification struggle against inflation, which is holding the ERM in its thrall, but also relieve some of the pressure on (and allow more room for manoeuvre to) Germany's *ERM* partners and others.

Both options are opportunities too good to be missed at this critical juncture.

Walter Grey,
12 Arden Road,
Finchley, London N3 3AN

Proposals for protected trade are confused and misleading

From Mr Stephen Thomsen.

Sir, Prof Ronald Dore's prescriptions confuse the benefits of inward investment with the disadvantages of trade barriers (Personal View, July 8). While the gains from such investment are tangible, the harm *inflicted on the local economy* from the coercive policies designed to attract that investment is often more obscure.

Inward investment is to be welcomed, but tariff-jumping operations are no better than the protected local firms that they replace. Governments can only coerce firms to invest by maintaining high tariff walls *against imports. Without such* a protected market, they are unlikely to be willing to incur the higher costs of producing locally.

As with old-fashioned protectionism, Prof Dore's neo-mercantilist policies fail to address the likely effect on world economic welfare when all countries are playing the same game. As more and more countries compete for the same efficient Japanese factories, the only beneficiaries are likely to be *the Japanese firms* themselves. The greater costs of production from foregone economies of scale from too many *plants in too many countries* will be incurred by local consumers who must face high prices in order to sustain local production.

Hence, to pretend that investment-inviting import *quantity restrictions are some*how economically justifiable while protectionism is not is fatuous. The outcome is the same except for the fact that monopoly profits accrue to a foreign firm rather than to local shareholders.

Prof Dore might also want to reflect on whether the disappearance of the British motorcycle industry in the space of a decade is a testament to "the bankruptcy of the comparative advantage paradigm", or a tribute to its success.

Stephen Thomsen,
The Royal Institute of International Affairs,
Chatham House,
10 St James's Square,
London SW1Y 4LE

From Mr Geoffrey E Wood.

Sir, His being a professor of political science at MIT does *not ensure that Prof Dore has a* firm grasp of basic economics.

He concluded his article by asserting that the case for free *trade requires the "... assump*tions of competitive markets and undistorted prices".

Every discussion of free trade, from David Ricardo to Paul Samuelson (to note only the most famous) has shown that mutually beneficial trade requires only differences in prices. Why the prices differ, and how these prices were determined is, so far as the trade discussion goes, immaterial.

Further, Prof Dore's assertion that the benefits in the form of lower prices which accrue to the consumer from *free trade would be "mopped* up in unemployment pay" rests of course on the assumption that when workers have became unemployed in one activity – any activity – they are totally unemployable for ever more. That is not likely.

Prof Dore's arguments are as misleading as his recommendations would be damaging.

Geoffrey E Wood,
professor of economics,
City University Business School,
Frobisher Crescent,
Barbican Centre,
London EC2Y 8HB

No massive state support for Air France

From Mr François Eldin.

Sir, We were most surprised to read a letter from Mr Thomas McDonogh (June 24), chairman of an Irish transport users' committee, stating, quite erroneously, that Air France was one of roughly seven airlines in Europe that are "technically bankrupt". He also added, erroneously, that "these *national airlines receive massive* support from the various governments, a support which is denied to the private sector".

All of this is nonsense. Air France is in no way technically bankrupt. Neither does it receive more support from the French government that any private company would receive from its shareholders.

Last year, the French state, which owns 99.4 per cent of Air France shares, decided to participate in a FFr2bn (£205m) increase of Air France capital as a shareholder's contribution to an Air France Group three-year investment programme worth FFr40bn. This capital increase was reviewed in depth by the European Commission, which ruled that it was not state aid. In other words, it is the normal contribution of a shareholder to the development of his company.

FT readers will, I am sure, be interested to know that Air France had not received a capital injection from its shareholders since 1985. On the contrary, since 1984, the airline has paid out FFr1bn to its shareholders in dividends on profits.

François Eldin,
vice-president corporate communications,
Air France,
Paris

When Sky's the limit

From Mr P J R Baker.

Sir, Mr Richard Brookes' *euphoria* (Letters, July 7) over the recent up-beat performance of BSkyB perhaps needs to be tempered with the realisation that pay TV is likely to be a loser (in the short-term).

I purchased Sky TV earlier this year to watch the cricket world cup and consequently pay a monthly fee. The introduction of a further fee to allow *me to watch (second* rate) Premier League football matches and the other sports I already receive will not be countenanced.

At the end of my existing agreement in 12 months' time my aerial will be returned. Speaking to other subscribers, that is a common reaction.

P J R Baker,
17 Arne Grove, Horley

FINANCIAL TIMES
Monday July 13 1992

After the famine: A food package donated by the UN is carried away at the end of a 71-day siege of a Sarajevo suburb

UN ends 71-day Serbian siege

AID WORKERS escorted by UN armoured vehicles took a convoy of relief supplies to the most devastated area of Sarajevo yesterday for the first time since a 71-day siege of the district began. **Reuter reports from Sarajevo.**

But elsewhere in Bosnia-Hercegovina, Serb forces tightened a ring of steel around the eastern town of Gorazde, seized key roads in the northeast and fought fierce battles in the north and southwest.

In a breakthrough for international relief efforts, 12 trucks flanked by eight white UN armoured vehicles delivered 120 tonnes of supplies in Dobrinja.

To subdued applause from hungry residents, who flocked on to the streets, they unloaded the food and other supplies at two distribution centres before a three-hour local truce ran out and sniper fire resumed.

"This is what the United Nations and the UNHCR [the UN High Commissioner for Refugees] has been aiming for after getting aid to more accessible places," said Mr Peter Kessler, spokesman for UNHCR in Sarajevo.

"There has been very heavy fighting, shooting and shelling there all the time. People there have been living on grass," he said.

Over 7,500 people have been killed in Bosnia since the Serbs rose up against independence from Yugoslavia and won control of more than 60 per cent of Bosnian territory from the majority Moslems and Croats.

The UNHCR estimates 380,000 people are trapped in Sarajevo with little food, water or power. More than 1,000 tonnes of aid have been flown to the capital by an international airlift but hardly any had reached Dobrinja and other embattled districts.

Dobrinja, a community of apartment blocks used as the media village in the Sarajevo Winter Olympics in 1984, bore the marks of a 71-day siege by Serb irregular forces. From 30,000 to 45,000 people are estimated to be trapped there.

Hardly a building is not pockmarked. Mortar bombs have left craters in the roads, shattered glass lies everywhere and spent bullet cartridges lie in the road. Some houses have been almost completely destroyed.

"Seventy people have been killed in the siege here and 1,500 wounded," a doctor at a makeshift hospital told reporters who visited Dobrinja with the convoy.

Street battles broke out in Gorazde at the weekend and people were trapped with little food. Amputations were being carried out without anaesthetic, according to amateur radio operators.

Meanwhile, Mr James Baker, US secretary of state, called the situation in Yugoslavia "a quagmire", again suggesting it would be a mistake to be drawn into the conflict in the Balkans.

President George Bush even suggested that Bosnia was "a hiccup" not remotely related to the security interests of the United States.

But despite Mr Baker's foreboding and Mr Bush's detachment, the upshot of the Conference on Security and Co-operation in Europe is that the US and its allies moved a step closer to involvement in the conflict.

Nato decided on Friday to send a naval force to the Adriatic to monitor the trade blockade of the federation of Serbia and Montenegro, which is all that remains of Yugoslavia. The Western European Union, acting in tandem with Nato, took a similar decision.

It may require another UN Security Council resolution, but the warships under normal rules of engagement would fire back if attacked.

Mr Bush acknowledged that US warships attached to two carrier task forces in the Mediterranean routinely venture into the Adriatic, alongside Yugoslavia.

Asked if US ships would participate in Nato's monitoring operation, Mr Baker replied: "Yes."

Mr Brent Scowcroft, the president's assistant for national security, said when asked if the US would play a role: "Of course. We're a part of Nato."

Major rules out devaluation by UK

By Philip Stephens, Political Editor

THE UK government's determination to maintain its economic strategy was underlined by Mr John Major at the weekend as he gave unequivocal backing to the chancellor of the exchequer's refusal to consider a devaluation of sterling.

In an acerbic side-swipe against Lady Thatcher, the prime minister also dismissed as "fantasy fears" the warnings from Tory Euro-sceptics that the Maastricht Treaty on European union would create a centralist European state.

Some Tory MPs, however, continued to voice fears that sterling's place in the European exchange rate mechanism was jeopardising hopes of economic recovery.

Mr Major's insistence that he would not be panicked into moves to "kick-start" the economy came as senior Conservatives acted to quell the latest outbreak of dissent among a small group of the party's MPs.

Sir Marcus Fox, chairman of the influential 1922 Committee of Conservative MPs, rejected complaints that the composition of the new Commons select committees to be established this week had been "fixed" by party managers to exclude those who were ready to challenge the government.

Mr Nicholas Winterton, the controversial Tory former chairman of the select committee on health, will tonight seek backing from fellow Tory MPs to overturn his exclusion from the new committee.

His complaint, supported by some colleagues and a number of Labour MPs, is expected to prompt angry exchanges in the Commons, but most MPs are likely to back the view that Mr Winterton and several other long-serving committee members should stand down.

Mr Major's decision to put the full weight of his authority behind Mr Norman Lamont's economic strategy was designed to quash any suggestion that the Treasury's hard line against devaluation was being questioned in 10 Downing Street.

Several Conservative MPs repeated calls for the government to consider a sterling realignment in the ERM unless the pace of economic recovery picked up.

Mr John Townend, chairman of the Conservative backbench finance committee, was among those predicting that if the economy was not showing signs of recovery by the beginning of next year, there would be intense pressure for devaluation.

Mr Townend said on BBC television that a majority of Tory MPs would now favour a general ERM realignment, involving a realignment of the D-Mark against all currencies.

Mr Major acknowledged that the economy would not emerge rapidly from recession, but insisted repeatedly in a newspaper interview that a devaluation would be counterproductive.

As senior Whitehall officials dismissed talk of a more general ERM realignment as "unrealistic", the prime minister said he was determined to put Britain in a position where the businessman, investor, saver and producer knew the government would not devalue.

He was similarly forthright in his defence of the Maastricht treaty, suggesting that the warnings of a federal Europe issued by Lady Thatcher and her Euro-sceptic allies would do no more than "frighten the children".

Asked about the possibility of a Tory rebellion, he responded: "I have not come to trim and turn on policy. I set out that policy and I will pursue it."

Editorial comment, Page 8

Italian public sector

Continued from Page 1

of IRI, ENI, ENEL and INA; the other to handle its existing financial holdings in BNL, the state commercial bank and in IMI, the financial group.

One of the main issues will be the capitalisation of the new companies and how their existing debts are treated. IRI has no formal capital, merely a small trust fund, while its state backed debts amount to over L55,000bn. In conjunction with the Bank of Italy, the Treasury is expected to employ at least two outside advisers on assessing assets.

Before this government move, ENI had been planning to sell shares this autumn in Agip, the oil exploration subsidiary, and Snam, its gas company.

The government is clearly anxious to obtain as much revenue as possible from privatisation within this budgetary year. But experts yesterday warned that the technical aspects were complex, while bankers argued the domestic market was unused to absorbing large share offerings.

Clinton thrives

Continued from Page 1

said the remarks suggested "a level of insensitivity".

"If you have people working around you ... who are black, who are brown, who are Asian, who are female, you don't make mistakes like that," she said.

Mr Jackson and his allies have complained that the Clinton campaign has targeted white middle class voters at the expense of poorer urban minorities, and needs to be more inclusive in its approach.

But although opinion polls show less than exuberant support for Mr Clinton among the nation's black voters, his long experience in southern politics has helped him forge alliances with many black elected officials, such as Mayor Maynard Jackson of Atlanta and Congressman John Lewis.

Theses officials may be just as effective in winning Mr Clinton African-American votes, without requiring the extravagant homage that Mr Jackson regards as his due.

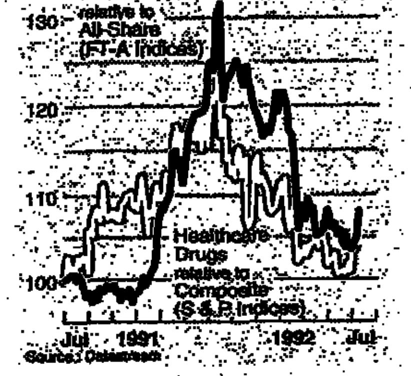
World Weather

City		°C	°F
Ajaccio	S	25	77
Algiers	S	30	86
Amsterdam	C	17	63
Athens	S	29	84
Bahrain	S	37	99
Bangkok	F	36	97
Barcelona	S	24	75
Beijing	F	28	82
Beirut		–	–
Bordeaux	C	18	64
Brussels	R	17	63
Budapest	T	19	66
Buenos Aires	F	22	71
Cairo	S	39	102
Cape Town		–	–
Caracas		–	–
Casablanca	S	24	75
Chicago		–	–
Cologne	F	19	66
Copenhagen	S	21	70
Corfu	S	[illegible]	84
Frankfurt	C	19	66
Geneva	R	17	63
Gibraltar	S	25	77
Glasgow	F	17	63
Helsinki	S	25	77
Hong Kong		–	–
Innsbruck	R	18	64
Inverness	F	15	59
Islamabad	C	31	88
Istanbul	S	27	81
Jakarta	F	33	91
Majorca	S	27	81
Malaga	S	25	77
Malta	S	27	81
Manila	R	30	86
Melbourne	F	14	57
Mexico City	C	26	79
Miami		–	–
Milan	S	24	75
Montreal		–	–
Moscow	S	27	81
Munich	R	17	63
Oporto	S	23	73
Oslo	R	17	63
Paris	F	18	64
Prague	F	20	68
Reykjavik	S	13	55
Rhodes	S	26	79
Rio d'Janeiro		–	–
Rome	F	24	75
Salzburg	F	20	68
S'Francisco		–	–
Seoul	F	27	81
Tenerife	F	24	75
Tokyo	C	26	79
Toronto		–	–
Tunis	S	30	86
Valencia	S	30	86
Venice	S	23	73
Vienna	S	19	66
Warsaw	F	28	82
Washington		–	–
Zurich	C	19	66

Temperatures at midday

THE LEX COLUMN

Welcome signs of life



It is too early to be sure, but the world's big drug stocks could just be on the turn. Since the peak in early January, their falls have been precipitous. But since April, Merck and SmithKline Beecham have outperformed their local markets by 9 per cent and 20 per cent respectively. In the course of last week Glaxo outperformed the London market by 8 per cent. Wellcome, the one stock which crucially stands to gain from all this, has outperformed by some 3 per cent since the start of the month.

Given the market power wielded by the advisers to the Wellcome sale, this change of sentiment might not be wholly fortuitous. But it also makes sense in a wider context. Drug stocks on both sides of the Atlantic were driven up last year in a classic recessionary switch out of cyclicals. Early this year they duly came down again as the markets scented economic recovery. In the UK, market sentiment is now back in the doldrums, while in the US it has been somewhat dented by the latest discount rate cut. The Wellcome tender closes at the end of next week. At this rate, the vendors could just get lucky.

There is another strand of thinking which might assist Wellcome. In terms of drug pricing, the 1990s could prove not merely non-inflationary but positively deflationary. In such a world, producing me-too drugs in quantities is not enough, since they will get hammered on price.

What is needed is genuinely innovative products which can be charged for. Wellcome has such products in the pipeline, as do Glaxo, Merck and SmithKline Beecham. Having been stampeded indiscriminately into drug stocks before, the market this time round is showing signs of being more choosy.

UK savings market

Talk last week of UK banks and building societies being forced to raise their mortgage rates in response to the government's aggressive marketing of National Savings is probably exaggerated. Nevertheless, the problem is not one which the societies or retail-orientated banks like TSB and Abbey National can entirely afford to ignore. The prospect of National Savings doubling its intake from the retail market this year will have little impact on the outstanding stock of deposits, but it will make a difference to flows of new savings.

Net new deposits collected by the building societies and Abbey National last year amounted to some £20bn, including credited interest. The comparable figure for National Savings was £2bn, so it must be aiming for a significant increase in market share. On top of that TSB has motives of its own to bid aggressively for retail savers' funds. It says it wants to become less dependent on wholesale money market funding and to position itself better in the retail market for the longer term.

All this matters less in an economy where the housing market is depressed and the savings rate is at its highest for 10 years. Since there is no loan volume to chase, lenders can afford to preserve their margins at the expense of forgoing some new deposits. Nor is the broader clearing bank market particularly affected by the National Savings campaign. The large clearers are much more interested in developing fee income than raising deposits to expand their loan books.

The picture will look rather different when base rates do finally resume their fall. One cannot assume that will produce an instantaneous economic recovery which will wipe out the PSBR. There will thus be a continuing need for the National Savings marketing campaign – with the attendant probability that its rates will become something of a benchmark for savings products. Mortgage lenders would then face a double squeeze on their margins: through competition for deposits and downward pressure on loan rates.

The consequence may well be that mortgage rates will eventually come down much more slowly than the government would like or than the state of the housing market would dictate. Had the authorities succeeded 10 days ago in trimming base rates by a quarter point, for example, mortgage rates would probably not have budged.

Gold

To say gold has staged something of a rally in the last few weeks is probably stretching the point. In dollar terms, admittedly, the metal is now roughly 5 per cent higher than its 1992 intra day low in mid May. But in just about any other major currency recent performance has at best been flat.

Even so, relative stability is almost cause for gold bug celebration after the disappointments of the last decade: in sterling terms gold is now trading at almost exactly the same price as 10 years ago. Last week's spectacular sale of 20m ounces of silver by the National Commercial Bank of Jeddah provoked perverse glee among gold enthusiasts on the grounds that they had been spared, and that perhaps there is no gold left to dump in the Arab bank's vaults. More significantly, though, the bulls have been drawing comfort from the market's ability to absorb pressure from persistent producer forward selling and from operations like the 200 tonne sale by the Belgian central bank earlier this year. Previous forecasts of $400 per ounce by the year-end have been trimmed back – but predictions of around $380 per ounce (against Friday night's close of $348.45) now appear to carry greater conviction.

Encouragement can obviously be derived from the dollar's weakness and the negative turn in short-term US real interest rates after last week's discount rate cut, though positive rates elsewhere and the absence of retail investment demand in Europe somewhat spoil that particular story. It is also possible that the bears underestimate buying demand from south-east Asia, India and the Middle East where gold has not yet lost its glitter.

That said, the arguments against the metal pushing decisively up through its recent trading range seem more persuasive. There may have been a good technical explanation for the Belgians lightening their load, but the market has become twitchy that central bankers' hoards – equivalent to 17 years' mine production – could have an increasingly unsettling effect. It may only be a matter of time, the pessimists say, before the growing practice of selling call options turns into physical sales. If that proves to be so, it will take more than the closure of a few marginal mines to rekindle confidence.

FINANCIAL TIMES
COMPANIES & MARKETS
Monday July 13 1992

INSIDE

Bramalea moves to shore up confidence

Bramalea, the debt-burdened developer controlled by Toronto's Bronfman family, expects to withdraw from the North American industrial property market and retain only a handful of its Canadian office buildings as part of a last-ditch effort to maintain the confidence of its lenders. Page 12

Clinton worries bulls

When the Democratic party crowns Mr Bill Clinton (left) as its presidential nominee, it is also likely to send a shiver of apprehension through an otherwise bullish US credit market. For anything that detracts from the chances of President George Bush being re-elected will be taken badly by the bond market, which still seems to assume a Bush victory and fears that inflation would be re-ignited by the kind of national investment programme being advocated by Mr Clinton. Page 14

Provision by Rothschild Bank

Rothschild Bank, the Zurich-based private bank controlled by Britain's NM Rothschild & Sons, has dissolved its hidden reserves to make provision against possible loan losses. Sir Evelyn Rothschild, chairman of NM Rothschild, said the bank had decided to dissolve hidden reserves of SFr63.5m ($48m) as a safety measure. Page 12

Bundesbank clears regulations

The market for debt issued in D-Marks, long shackled by cumbersome regulations, is at last catching up with comparable sectors. Page 13

A return to relationship banking

Ranks Hovis McDougall, the food processing group, looks likely to become the latest UK company to refinance a complex loan facility arranged in the late 1980s with a simpler, relationship transaction. It is replacing a £250m ($477m) multi-option facility with a revolving loan syndicated among a smaller group of relationship banks led by Barclays. Page 14

Market Statistics

Companies in this issue

Lord King likely to step down at BA

By Paul Betts, Aerospace Correspondent

A LONG-EXPECTED top management transition at British Airways will be announced tomorrow at the airline's annual general meeting when Lord King, BA's 75-year-old chairman, is likely to indicate his intention to step down.

But Lord King, who was brought in by Mrs Margaret Thatcher, then UK prime minister, 12 years ago to reshape the airline and privatise it, is expected to maintain close connections with BA by becoming its honorary chairman for life.

Lord King is expected to indicate at the annual meeting his intention to relinquish his post as chairman this year or next.

In spite of his appointment as honorary life chairman or president, the move will mark an end of a significant era in the history of the UK flag-carrier.

Under Lord King, BA was transformed from a loss-making state-owned carrier popularly known as "Bloody Awful" into one of the world's most profitable and successful private airlines.

BA recently reported a 120 per cent increase in pre-tax profits to £285m ($544m) for the financial year ending March, bucking the trend in the airline industry, which has seen many leading carriers reporting heavy financial losses because of the recession and the air travel slump caused by last year's Gulf war.

The airline is currently negotiating an alliance with USAir, the sixth-largest US carrier, as part of its efforts to strengthen its global presence and competitiveness. Lord King recently said his airline was interested in forging alliances with carriers in the US, Europe and Asia.

Sir Colin Marshall, BA's chief executive and deputy chairman, is widely expected to take over as chairman. Lord King recently indicated BA was not looking outside the company for his successor.

Sir Colin has also been deeply involved in the restructuring of BA. Many in the industry believe that one reason for BA's success is the strong management team led by Lord King and Sir Colin.

However, Lord King's departure as chairman is likely to lead to other changes at the top of the company. Apart from the appointment of a chairman, BA is likely to appoint a chief operating officer to flank the chairman and chief executive. One possible candidate is Mr Robert Ayling, who recently made his mark as head of marketing and operations.

Lord King: transformed 'Bloody Awful' airline

Hanson expects UK and US acquisitions

By Roland Rudd in London

LORD HANSON, chairman of the Anglo-US conglomerate that bears his name, yesterday said the group planned to build its core businesses through acquisitions that were more likely to take place in the US and UK than in mainland Europe.

"Bargains will continue to arise both here and in the US", he said in London.

Hanson has recently said it is keen to build and expand seven core businesses. In the US they are Peabody Coal; Cavenham Forest; Beazer USA; Grove Industries; and SCM Chemicals. In the UK they are Imperial Tobacco; and building products groups, including ARC and London Brick.

Quoting from a private speech he gave to the Worshipful Company of Actuaries in London on Thursday, Lord Hanson said: "The days of Hanson's growth through acquisition are not over. It's the timing which counts. At present disposing of small peripheral businesses and adding new ones to our core companies is probably right."

While the conglomerate is still looking at the possibility of buying businesses in Europe he warned: "There are drawbacks which prompt my strong belief in the priority of our present trans-Atlantic companies. There are untold legal ... financial and union problems in direct corporate investment in the EC ... which require a cautious approach. Look at France. The country's road system paralysed by farmers and truckers. Corporation tax in Germany, after eastern European surcharge and local income tax ... could be 65 per cent – double the UK rate."

He added: "I believe the recoveries in the economies of the United States and the UK which were expected to take place by the end of 1992 are more likely to be delayed until the end of 1993 and a lot of companies that just managed to hang in there last year are now in worse trouble ... they're now saying 'Well, we would like Hanson's help'."

He warned the actuaries that corporate governance has been "somewhat overworked of late". He said: "Changes won't take place by loading the board with non-executive directors. Their role is not apart ... as watchdogs; it's part of the single board. How often do companies need watchdogs? What they need are hound-dogs who will help the company hunt down its targets."

Alan Friedman analyses a structural change in the US energy sector

Oil industry refines its operations

THE US oil and gas industry will this week begin reporting mainly lower second-quarter earnings against a backdrop of dramatic reductions in capital spending and job numbers at many companies.

The cuts are more than a cyclical reaction to the weakness of US demand for petroleum products and crude oil prices that are well below levels seen just before the Gulf war in January, 1991.

Instead, industry experts say the US sector has begun a structural change that could ultimately shift much exploration and production away from the United States while raising energy prices for retail and corporate consumers.

The challenges facing the US energy industry are several:

● Congressional and local restrictions on drilling in places such as the waters off the coasts of Florida and California and the coastal plain of the Arctic National Wildlife Refuge in Alaska are causing many companies to redirect their exploration efforts away from the US.

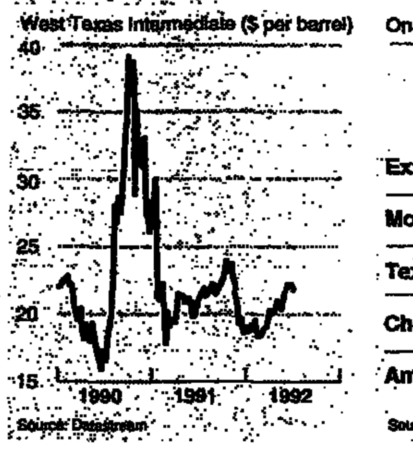
● The sputtering US recovery and increasing price competition are keeping marketing and distribution profit margins under pressure. The industry has also concluded that the medium-term outlook is for only slightly improved crude oil and natural gas prices.

● The cost of modernising refineries and developing cleaner, reformulated petrol – as dictated by environmental laws such as the Clean Air Act – will be tens of billions of dollars during the next few years.

● The consensus view is that the industry's operating cash flow will decline by 10 per cent this year, to about $44bn. Net profits of the energy sector, which fell by an aggregate of more than 50 per cent in the first three months of 1992, are expected to drop by at least 10 per cent in the second quarter and by almost as much for the whole of 1992.

US oil price

West Texas Intermediate ($ per barrel)



Source: Datastream

Capital spending

On oil and gas exploration and production by top five US groups ($m)

	In the US			Outside North America		
	1991 actual	1992 estimate	% change	1991 actual	1992 estimate	% change
Exxon	2,095	1,850	-11.7	3,040	3,325	+9.4
Mobil	920	600	-34.8	1,361	1,500	+10.2
Texaco	905	709	-21.7	1,044	1,112	+6.5
Chevron	1,056	850	-19.1	1,100	1,250	+13.6
Amoco	965	500	-48.2	1,233	1,200	-2.7

Source: Salomon Brothers

The result is that many companies are slashing operating costs. That means sharp reductions in capital spending budgets, selling non-strategic assets and saving money by redundancies that on average will eliminate up to 15 per cent of the workforces of several big US companies.

Although the restructuring process has been underway for more than a year, last week saw several announcements that are typical of the trend. Last Monday, after a survey of 247 companies, Salomon Brothers forecast a drop of nearly 20 per cent in 1992 spending on North American exploration and production. Spending by these same companies outside the US was projected to rise by 9.5 per cent.

On Tuesday, Mobil, the second biggest US energy group, said its 1992 capital appropriations budget would be $1bn less than previously predicted. The company's payroll was forecast to decline by 10 per cent by year-end and the disposal of more than $600m of assets was forecast.

Wednesday saw Amoco, the fifth biggest US energy company, unveil plans to take an $800m restructuring charge in the second quarter and to reduce its workforce by 8,500 employees, or nearly 16 per cent, by the end of next year.

On Friday, Mr Charles DiBona, president of the American Petroleum Institute (API), complained that lower crude prices, the sluggish economy and drilling restrictions had caused the loss of 63,000 US energy jobs over the past year and could lead to another 50,000 redundancies over the next 12 months.

In New York, Mr Larry Goldstein, president of the Petroleum Industry Research Foundation, reckoned the US sector was facing "major structural changes," including a dramatic shift in exploration budgets from the US to places such as republics of the former Soviet Union, Colombia, Yemen, Algeria, Venezuela and Indonesia.

Mr Goldstein said spending cuts had "decimated" the US exploration and production infrastructure of so many companies that the ability of the industry to respond in a timely manner when the economic recovery eventually strengthened was now in question.

In Houston, Mr Roger Frey, an energy sector loan specialist at Chase Manhattan, attributed the structural changes to both mounting environmental costs and the fact that "the industry can no longer bank on steady price increases".

He said there was a realisation by the industry of the need "to adjust to only moderate oil and natural gas prices in the foreseeable future".

Mr DiBona of the API argued that while the US energy sector would eventually be leaner and more competitive, the shift away from exploration and production in the US could be permanent and could affect the US balance of payments in the 1990s.

Compounding the outlook is the fact that US refinery capacity is forecast by analysts to drop by between 5 per cent and 10 per cent during the next three years, while the nation's proven reserves continue to decline over time.

The implications of the US energy sector's restructuring were summed up two weeks ago by Mr Victor Burk, managing director of the oil and gas industry services division of Arthur Andersen, the consultancy. Although Mr Burk said the shift away from US exploration would continue, he noted this did not mean the US would be abandoned. Rather, the industry would enter a new era when exploration would be pursued on the basis of geographical, operational and technological niche opportunities.

Mr Paul Ting, an oil analyst at Oppenheimer in New York, concluded that while 1991 was a bad year, with net income down by 21 per cent for the top 10 US energy groups, profits in the current year would also decline, although less sharply.

With refining and marketing margins under pressure, much of the earnings sweepstakes in the latter half of 1992 will depend upon the price of crude, which is not expected to rise in a significant way.

Earnings could improve again next year, thanks partly to the lower operating costs being wrought by restructuring. But neither US job levels nor exploration activities are expected to return to past levels for quite some time.

G7 passes the future of Russia to the IMF

Economics Notebook

By Peter Norman

IF any organisation emerged with its stature enhanced from last week's lacklustre Group of Seven economic summit in Munich, it was the International Monetary Fund.

Mr Michel Camdessus, the IMF's managing director, made an unprecedented appearance at a G7 meeting to brief finance ministers about his negotiations in Moscow on Russia's economic reform programme. The backing given by the G7 communiqué to co-operation between the IMF and Russia showed how the big industrial democracies have effectively subcontracted responsibility for helping Russia and other former Soviet republics integrate into the world economy to the IMF.

But is the IMF's high-profile role in Russia such a good thing? Is the fund itself the right organisation to deal with Russia's problems? Could it be that the western industrial powers are overestimating its ability to keep Russia on track? Is there a danger that it will be overwhelmed by the huge difficulties to be tackled in Russia and emerge from the experience with its prestige and effectiveness diminished?

The failure of the Russian government to achieve economic policy goals set five months ago must cast some doubt on whether it will meet the performance targets agreed with Mr Camdessus just before he went to Munich.

Recent research into the IMF policies and operations over the past decade by the Alexis de Tocqueville Institution, a US think tank, also raises the question as to whether the fund is best suited to the task of promoting economic reform in Russia.

Mr Camdessus agreed in Moscow to release a first $1bn tranche of IMF credits to Russia in return for sharp cuts in its projected budget deficit and inflation by December. Russia will reduce its inflation to less than 10 per cent a month by the end of 1992 from 15 per cent (and rising) at present. It plans to cut its domestically financed fiscal deficit from 17 per cent of gross domestic product to 5 per cent in the same period.

It was not clear in Munich how this would be achieved. The necessary fiscal and monetary measures will be introduced over the coming weeks. The IMF has been assured that most will be enacted by presidential decree, presumably after parliament breaks up for the summer this week.

But are these goals realistic in the light of past experience? In late February Russia's government and central bank agreed a programme of stabilisation and reform that envisaged a sharp decline in inflation to a range of between 1 per cent and 3 per cent a month by the fourth quarter of this year when the budget deficit would be around zero. This programme appeared to be on track until upset by decisions of the Russian parliament in the spring.

Things may be different this time. The IMF has been careful to strengthen the hand of the Russian finance ministry in drawing up the new programme so that it can be considered as a Russian government programme. If the fulsome tribute made by President Boris Yeltsin in his Munich press conference to Mr Yegor Gaidar, his prime minister, means anything, the Russian government should be able to count on Mr Yeltsin's support in pushing ahead with economic reform. There is some hope that the Russian people and parliament, looking as they are over the abyss at hyperinflation, will pull back and put up with the conditions that IMF support will entail.

There is little doubt that the conditions will be painful. Moreover, the IMF will have leverage because of the staged nature of its support. Another $3bn of credits will not be released before autumn when Russia will have been obliged to meet further economic performance targets and sort out its monetary relations with other republics and especially those staying in the rouble zone. The promised $6bn rouble stabilisation fund is further off. It depends on progress to currency stability and is unlikely before 1993. This drip-feed technique gives the IMF a strong negotiating position in the event of Russia backsliding on its targets.

That Russia could well backslide is suggested by the IMF Assessment Project carried out by the Alexis de Tocqueville Institution of Arlington near Washington. According to Mr Gregory Fossedal, the institution's chairman, achieving currency stabilisation and inflation reduction have been among the weakest areas of fund performance. The institution's study of 90 IMF programmes between 1980 and 1991 also found that the successful achievement of monetary and fiscal targets depended crucially on the implementation of fiscal and monetary policies as planned.

Mr Fossedal argues that the IMF is most successful in countries with long-standing democratic and capitalist traditions. He wonders whether the fund can be the "bold, energetic catalyst" needed to rebuild the former communist states.

"The last time the West faced a challenge of of this magnitude, after World War Two, the IMF, the World Bank and the UN Rehabilitation and Relief Agency all spent two years attempting to revive the economy of western Europe, to no avail," he says. Harking back to the introduction of the Marshall Plan, he says: "Only when a special, self-terminating executive agency was funded, created, debated openly, co-ordinated with joint commissions in the recipient countries, and staffed by the businessmen and investors who would be called upon to support it, did the more focused efforts of the fund and the Bank begin to bear fruit."

Mr Fossedal would like to see a new Marshall Plan for Russia with a new organisation that would move reforms ahead rapidly and have a $50bn annual budget.

But herein lies the rub. One of the reasons the IMF has so much responsibility thrust upon it is that the western industrial nations either will not or cannot produce such financial support.

As Mr Brian Mulroney, the Canadian prime minister, pointed out last week, the US devoted 1.2 per cent of its gross national product to the Marshall Plan. So far, the G7's contribution to the former Soviet Union amounts to just 0.2 per cent of its combined GNP.

Inquiry by SFO looks at share dealings

By Peggy Hollinger and Ken Gooding in London

THE UK's SERIOUS Fraud Office is investigating share dealings in at least two quoted UK companies – Richmond Oil and Gas and Butte Mining.

The inquiry, which follows a raid on the abandoned offices of Jersey accountants Bryant & Co in April, is investigating transactions in Richmond Oil between the £21m ($40m) public offer in June 1989 and the failed £31m rights issue of October 1990. It is believed early indications have raised the possibility of a share support scheme.

Documents recovered in Jersey, half a tonne of which were taken to the UK by investigators last week, could prompt an inquiry which may affect several UK natural resource companies, including Geevor and Globe Petroleum, formerly known as Far East Resources.

Bryant & Co appears to have been a "significant staging post" for share irregularities, said an investigator. Documents regarding Butte Mining were also discovered at Bryant & Co. Butte has launched legal action claiming damages of $326m from more than 70 former executives and advisers, including Bryant & Co. Also named in the Butte litigation is Mr Clive Smith, the UK-based entrepreneur with natural resources interests, who helped bring Richmond and Butte to the market. Mr Smith and his family interests held 11 per cent of Corporate Broking Services, the defunct broker which sponsored the Richmond float.

FINANCIAL TIMES MONDAY JULY 13 1992

Accountants to pay damages over Sound Diffusion rights issue

Tunstall settles out of court

By Andrew Jack

ARTHUR YOUNG, the accountancy firm which is now part of Ernst & Young, has agreed to pay £1.35m in costs and damages in connection with its role as auditor and adviser to Sound Diffusion, the collapsed electrical equipment leasing company.

Tunstall Group, the security and emergency communications equipment supplier, agreed to settle out of court with the accountants after a battle lasting more than two years in search of compensation following its subscription for a rights issue just seven months before Sound Diffusion went into receivership in December 1988.

Mr Michael Dawson, Tunstall's chairman, has doggedly pursued his case in the belief that Arthur Young should not have approved the 1987 accounts because of over-stated profits caused by a breach of SSAP 21, the accounting standard dealing with leasing.

He also argued that the firm failed in its role as advisers to a £9.5m rights issue in May 1988 which appeared to suggest that the new money was partly for future growth, when in fact it was essential to support the company's existing losses.

However, Mr Nick Land, national managing partner of Ernst & Young, stressed that the firm denied liability. "We settled to finish the matter and to avoid it going on for a long time," he said.

Mr Dawson issued a writ in November 1989 and continued to put pressure on the accountants right up to the date of the court case, which was scheduled to begin on July 6. Ernst & Young agreed to the payment shortly before that date.

Michael Dawson – issued writ in November 1989

In his chairman's statement to the interim accounts for the six months to March 31 this year, Mr Dawson said Tunstall had made a provision of £670,000 in professional fees for the action to date.

Tunstall sought damages for about £500,000 in rights for which it subscribed on its shareholding at the time of the issue, £1.2m for other shareholders' rights and £200,000 for rights it never exercised. In the event, it received full compensation for the first item, £250,000 towards the second and none on the third.

If the case had made it to court, it might have filled an important hole in determining whether auditors have a responsibility to existing shareholders who subscribe for additional shares and buy others' rights in the market.

While the settlement requires that neither of the two parties discuss details of the case, Tunstall's complaints can be derived from the highly critical report issued by the two Department of Trade and Industry inspectors on Sound Diffusion in February last year.

The DTI report states that Sound Diffusion had recognised "excessive selling profits" and "materially overstated" its balance sheet value in its accounts for the year to December 31 1987 by failing to adequately follow SSAP 21.

The report also suggests that the rights issue prospectus was "misleading" because it failed to point out that the new money was necessary for Sound Diffusion's survival, a fact not pointed out to shareholders in the final version which was circulated.

The lead partner on the 1987 audit was Mr Paul Rutteman, now a partner with Ernst & Young, an acknowledged expert on lease accounting and a member of two technical committees of the Institute of Chartered Accountants in England and Wales.

Yet as the DTI inspectors conclude: "Arthur Young either failed to identify or otherwise accepted serious defects in the company's lease accounting practices and did not adequately audit the amount receivable under finance leases."

Ironically, Ernst & Whinney was the auditor of Sound Diffusion before relinquishing the job to Arthur Young for the 1987 accounts after a dispute over the stated profits in the previous year. The merger of the two firms in 1989 means that partners from both sides will be involved in the settlement.

Eastern German distribution group to be privatised

By Andrew Taylor, Construction Correspondent

THE FORMER biggest distributor of electrical equipment, tools and materials to east German industry is to go on sale this week, at a price expected to be over DM150m (£53.60m).

At this level, which is based on previous deals involving purchases of European building products wholesalers, it would make the price paid one of the biggest for a privatisation in the former communist-controlled republic.

Maschinenbau-und Technikhandel (MBH), which once had a turnover of DM10bn, has been slimmed down substantially and now concentrates mainly on selling tools and components to the region's fast-growing construction industry.

Sales last year were DM438m from 65 outlets in 32 cities, making it easily the region's biggest wholesaler of building products. These include lighting and electrical supplies, plumbing, heating and sanitary equipment as well as woodworking and metalworking tools and accessories.

Competition to MBH will come from subsidiaries of several large western German public companies which have established operations as well as some smaller privately-owned family businesses.

Construction output is eastern Germany is forecast to rise by one-fifth this year, with DM500bn expected to to be spent during the next eight years on building and repairing the region's housing, infrastructure and industry.

The Treuhandanstalt, the privatisation agency established to sell former state-owned assets, has appointed Merrill Lynch in London to advise on the sale of MBH, which has already attracted some international interest.

Companies from 10 countries, including Britain, France, the Netherlands, Belgium, Switzerland, Austria and the European subsidiary of a Hong Kong-based group, have expressed interest in acquiring MBH.

MBH owns 120 properties, including the 65 active trading outlets. The purchase price could depend upon which of these properties are to be included in the sale.

Merrill Lynch earlier this year arranged the sale for DM90m to Thames Water of the Mitteldeutsche Wasser-und Umwelttecnik (UTAG) the former East German water supply and sewerage treatment engineers.

Bramalea expects to pull out of industrial property market

By Bernard Simon in Toronto

BRAMALEA, the debt-burdened developer controlled by Toronto's Bronfman family, expects to withdraw from the North American industrial property market and retain only a handful of its Canadian office buildings as part of a last-ditch effort to maintain the confidence of its lenders.

Mr Marvin Marshall, president, said that the company expected to present a new business plan to lenders later this month and hoped to complete negotiations by the end of August.

Bramalea, which has debts of C$4.9bn (US$4bn), defaulted last month on interest payments on a debenture issue, and its financial problems are widely viewed as being at least as serious as those of Olympia & York.

But, unlike O&Y, Bramalea has the advantage of a powerful shareholder and has up to now convinced its lenders that it is doing its utmost to raise cash through asset sales.

As part of the restructuring, Bramalea also plans to sell its US shopping centres, to reduce its Canadian mall portfolio, and to concentrate on the residential market in Ontario and California.

Bramalea has raised C$573m since it began selling properties last year. It expects total proceeds to reach about C$2bn by 1997. Several of its assets have been bought by Trizec, its controlling shareholder. But Trizec, which itself has debts of more than C$9bn, has indicated that it is nearing the end of its willingness to provide support to its subsidiary.

Bramalea's shares closed at 80 cents on the Toronto Stock Exchange on Friday, down 7 cents on the day. The shares were trading at close to C$5 at the beginning of this year.

Fund managers switch to bonds

By Angus Foster

FUND managers are looking to increase their holdings in bonds, especially UK gilts, at the expense of equities, according to the July monthly survey by Smith New Court and Gallup.

Managers planning to invest in UK gilts outnumbered those planning no such move by 32 per cent, the highest level for two years and double the June total. Interest in index-linked gilts, overseas bonds and deposits increased at a similar rate, the survey said.

A balance of 10 per cent of managers said they would lift exposure to UK equities. This is the lowest figure this year, but the UK is still seen as more attractive than the US and Japan, where managers remain negative.

However, forecasts for UK earnings-per-share growth have been marked down. Managers expect earnings to grow 6 per cent this year, compared with 9 per cent forecast last month. For 1993, forecasts have been cut from 12 per cent to 10 per cent. Dividends are expected to grow 3 per cent this year and 5 per cent next.

Over the next 12 months, 86 per cent of institutions are optimistic about the FT-SE index compared with 72 per cent for continental European markets. Only 56 per cent are hopeful about Japan.

A special question in the survey asked managers their favourite and least favourite sectors for the coming year. Health and household, water, industrial materials and banks were most favoured while contracting and construction, property and building materials found least support.

Restructuring and consolidation keep generating large bids

RESTRUCTURING and consolidation continue to generate large international bids and deals, writes Brian Bollen.

The biggest of the week by far was the agreed bid by Cementos Mexicanos for Valenciana de Cementos, Spain's biggest cement group. This continues the rapid consolidation of Europe's troubled cement sector and reverses the long-standing trend in the sector for European companies to invest in North America.

Moody's Investors Service, the US debt ratings agency, appeared less than impressed: it placed the Cemex rating under review for possible downgrade, saying such a large acquisition might indicate a more aggressive growth strategy than previously thought.

Cemex decided in 1988 to concentrate on its core business.

That one company's non-core disposal is another's growth opportunity was underlined again by British Petroleum's latest disposal, of its Germany subsidiary Globol. The transaction takes the buyer - the Jeyes cleaning products group bought out from Cadbury Schweppes and BP in 1986 - further into continental Europe and increases its sales by more than one-third.

Debt claimed another prominent victim, forcing French businessman Mr Bernard Tapie to sell off yet another business, the German sporting goods company Adidas. Pentland Holdings of the UK thus adds another top-brand name brand to the portfolio assembled with the proceeds of its enormous profits on its Reebok investment.

Niche markets continue to be fashionable. Specialist chemicals group Hickson International of the UK is moving into the supply of fine chemicals to pharmaceutical groups by buying Ireland's Angus Fine Chemicals.

Simon Engineering of the UK said its purchase of the marine seismic data division of Teledyne Exploration of the US makes it the world's fourth-largest in that specialised sector.

The week saw much speculation about further restructuring of international airlines, but only one small transaction emerged, the purchase of 26.5 per cent of Austria's Lauda Air by German flag-carrier Lufthansa.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Cementos Mexicanos (Mexico)	Valenciana de Cementos (Spain	Cement	£658m	Cemex wants 74.1%
Pentland (UK)	Adidas (Germany)	Sporting goods	£215m	Tapie distress sales continue
Hickson International (UK)	Angus Fine Chemicals (Ireland)	Fine Chemicals	£22.4m	Hickson enters niche market
Jeyes (UK)	Globol (Germany)	Cleaning materials	£18.1	Another BP non-core disposal
Lufthansa (Germany)	Lauda Air (Austria)	Airlines	£10m	Lufthansa taking 26.5%
Simon Engineering (UK)	Unit of Teledyne Exploration (US)	Seismic data	£5.2m	Staged payments
Minorco (Luxembourg)/ Outokumpu (Finland)	Ivernia West (Ireland)	Mining	£4.15m	Raising stakes via new shares
Linde (Germany)	Fiat OM Carrelli Elevatori	Fork Lifts	n/a	Linde buying 51%
Monsanto (US)/Monsanto Kasei (US/Japan)/Premier Enterprise (Thailand)	Monsanto Premier Kasei (Japan)	Speciality plastics	n/a	Manufacturing venture
Lucas Bols (Holland)	Williams & Hubert (Spain)	Drinks	n/a	Bols doubles up to 90%

Source: FT Mergers + Acquisitions International

NEWS DIGEST

NMC to pass final dividend

NMC, the packaging company, is passing its final dividend for the year to March 31 because of uncertainties about the timing and proceeds of its planned flotation of a stake in Universal Packaging, its US offshoot.

Mr Norman Gordon, chief executive, said dividend policy would be reviewed when the situation had been resolved.

He added that almost all the group's profits arose in the US and existing financing arrangement restricted their repatriation. The flotation was intended to improve this structural imbalance.

The company, which last year failed to take over API, a rival packaging company, suffered a downturn in pre-tax profits from £7.39m to £5m. The passing of the final dividend leaves the total for the year at 1.25p, against 3.55p.

Universal increased profits as a result of a strong rise in sales in the second half. UK businesses had a difficult year with losses in the point of sale activity.

Turnover for the year declined to £93.6m, against £110.8m which included a £17.3m contribution from property and finance. The figure included £3.86m (£5.04m) from Hobbs Packaging which was sold in January.

Earnings per share were 2.76p (7.07p) basic or 5.91p (8.61p) fully diluted. There was an extraordinary charge of £615,000 relating to costs of its failed API bid.

Malvern UK Index asset value ahead

Malvern UK Index Trust had a net asset value per share of 111.11p at June 30 compared with 105.58p a year earlier and 108.13p at the December 31 year end.

Net revenue for the half-year rose to £963,000 (£896,000) for earnings of 2.03p (1.85p) per share. The interim dividend is lifted to 1.7p (1.25p), and directors forecast a 2p final payment.

Lister falls deeper into the red

Increased pre-tax losses of £2.78m for the year to March 28 were announced by Lister & Co, the textile products group which also has interests in property investment, engineering and insurance broking. Losses last time were £1.71m.

The directors said that action taken during the year had resulted in two key parts of the business, Joseph Hoyle and Lister Yarns, returning to current profitability. The weakness of the home furnishings and domestic textiles markets had led to a fundamental reorganisation of that part of the business, they said.

Turnover fell to £30.9m (£34.7m). Losses per share increased to 17.11p (10.94p) but the proposed final is maintained at 0.1p after the interim payment was again passed.

There was an extraordinary charge of £531,000 (£2.06m) relating to costs associated with the development of the Manningham Mills complex in Bradford.

NRI TOKYO BOND INDEX

December 1983 = 100	9/7/92	Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	176.18	5.24	175.52	172.20	169.88
Government Bonds	175.40	5.05	174.70	170.71	169.02
Municipal Bonds	177.87	5.73	176.77	173.00	171.38
Govt.-guaranteed Bonds	180.51	5.68	179.67	175.78	173.63
Bank Debentures	171.26	5.03	170.71	168.50	165.48
Corporate Bonds	177.78	6.14	177.44	174.68	171.37
Yen-denom. Foreign Bonds	182.06	6.86	181.82	179.36	174.49
Government 10-year†	5.51	-	5.57	5.74	5.53

† Estimated par yield

Source: Nomura Research Institute

Exceptional profit boosts Peter Cox

Helped by an exceptional profit of £477,000, Peter Cox, the building preservation company, reported pre-tax profits of £904,000 on turnover of £30.5m in 1991.

Mr John Wilson, chairman, said the result was creditable in the economic gloom.

The previous period was for 14 months following the purchase by its management from John Mowlem in which pre-tax profits were £933,000 on turnover of £34.3m.

Etonbrook plans cash repayment

Profits of Etonbrook Properties amounted to £182,000 pre-tax for the year to March 31 after taking account of an exceptional provision of £400,000 for property write-downs.

The previous year's profits totalled £1.63m and included a development profit in excess of £2.5m and an exceptional debit of £1.45m. Earnings worked through at 1.3p (34.2p) and the dividend is a same-again 2.75p.

With a view to reducing the discount between the year-end net asset value per share of 117p (118p) and the current 68p share price the directors are proposing a capital reorganisation in order to pay ordinary shareholders 25p cash per share. This will be achieved via the return of surplus proceeds from property sales.

They are also proposing to repay the redeemable preference shares which is a pre-requisite of any capital repayment or payment of an ordinary dividend. Both proposals will be put to an extraordinary meeting next month.

In addition, the directors have formulated a strategy for the future development of the company which they say "could include utilising Etonbrook's stock exchange listing by merging with a trading company so as to achieve a higher share rating".

Notice has been received from Multitrust, a 10.05 per cent shareholder in Etonbrook, that it intends to propose at the annual meeting resolutions for the appointment of Mr A. Perloff and Mr M. Block as directors and for the removal of Mr J. Harris and Mr W. Moss as directors.

Cowie makes second clarification over bid

T Cowie, the motor trader which is bidding £26.7m for rival Henlys Group, has had to make a second clarification over the status of its offer.

It said it wanted to remove any impression that its offer may not be revised. It also referred to its offer document which said the offer was "generous".

The first clarification came on Thursday after a newspaper article seemed to suggest that Cowie's offer was final. Under takeover rules, once a bidder has said an offer is final it cannot increase the offer unless another bidder comes in.

Cowie said that a second newspaper article had misquoted a Cowie representative saying "this is the best offer". Cowie said the Takeover Panel had advised them to clarify the matter.

With Cowie's shares standing at 141p the 1-for-2 share bid is worth 70½p, against Henlys share price of 72p. That suggests the market does not expect the Cowie offer to succeed at this price. Some shareholders are believed to want a cash alternative to the all-paper bid.

Hiclare declines to £59,000

Hiclare, the USM-quoted designer and manufacturer of electronic security and lighting products, suffered a fall in pretax profits from £194,000 to £59,000 for the year to March 31.

The figure was impacted by an exceptional bad debt of £59,000 which was incurred after the year-end but provided for within the results.

Sales improved to £3.34m (£2.99m) but gross margins fell from 30.4 per cent to 26.3 per cent. Earnings declined to 2p (5.8p) but the dividend is a same-again 0.5p.

Rothschild Bank 'safety measure'

Rothschild Bank, the Zurich-based private bank controlled by NM Rothschild & Sons, has dissolved its hidden reserves to make provision against possible loan losses.

Sir Evelyn Rothschild, chairman of NM Rothschild, said the bank had decided to dissolve hidden reserves of SFr63.5m (£24.3m) as a safety measure.

"The bank is very conservative and we feel that it is right to make the transfer from reserves as a safety measure," said Sir Evelyn. He added that Rothschild Bank was doing well and had had an exceptionally good 1991-92 year.

Rothschild made a net profit of SFr24.4m in the 12 months to March 31. Depreciation, provisions and loan losses rose to SFr99.8m (SFr24.3m).

The decision to make provisions followed a review of the bank's credit exposure at its recent annual general meeting, which found that some credits were not fully covered.

Royal Bank of Scotland purchase

Royal Bank of Scotland said that its Capital House Investment Management subsidiary had purchased the discretionary portfolio management businesses of Standard Chartered Bank.

The businesses, which are based in London, Jersey, Isle of Man, Singapore and Boston, have £1bn under management. They are mostly institutional funds, but include some private client portfolios as well. The acquisition raises Capital House's total funds under management to £4bn.

Manweb chairman's salary jumps

The total remuneration received by Mr Bryan Weston, chairman of Manweb, the Chester-based regional electricity company, jumped by 37 per cent from £156,000 to £214,000 in the year to March 31 1992.

The annual report and accounts show that his salary rose by 21 per cent to £175,000 (£145,000). In addition, there was a performance-related bonus of £32,000 (£8,000) and benefits in kind worth £7,000 (£3,000). The figure excludes pension contributions.

Manweb's pre-tax profits for the year rose by 61 per cent to £94.7m (£58.9m). Mr Weston is the highest paid director.

Liffe Swiss franc interest rate move

The London International Financial Futures and Options Exchange (Liffe) is to start trading options on its Swiss franc interest rate futures contract on October 15.

Mr Nick Durlacher, Liffe's chairman, said: "Given the high level of volatility in EuroSwiss interest rates, there is a need for an instrument which provides additional hedging and trading opportunities."

The three-month Euro-Swiss futures contract, launched in February 1991, recorded an average daily volume of 8,000 contracts in June.

Trinity International acquisition cleared

The proposed acquisition by Trinity International Holdings, the publishing and paper making group, of Scottish and Universal Newspapers, has been cleared by the trade and industry secretary.

The clearance follows an investigation and report by the Monopolies and Mergers Commission. Scottish and Universal publishes 23 paid-for and free newspapers in central and southern Scotland.

Pioneering social audit from Traidcraft

By Andrew Jack

TRAIDCRAFT, the Gateshead-based distributor of third world goods, has published a pioneering social audit of the company to accompany its accounts for the 1991-92 year.

Including redundancy costs of £45,000, the pre-tax loss for the 12 months to end-March was reduced from £118,000 to £23,000.

The social audit was a preliminary document attempting to assess the wider, non-financial impacts of the company on its customers and employees which should be ready by the time of the next annual report, according to Mr Richard Evans, external affairs director.

While a growing number of companies are producing statements on environmental policies and impacts, the Traidcraft report attempts to go much further in analysing the company's impact.

The audit - which was prepared by the directors - shows that 68 per cent of total sales of £5.39m were of goods from the third world last year, compared with 98 per cent of total sales of £830,000 in 1982.

It reports a planned 10 per cent reduction in gas consumption during the current year and discusses its use of recycled materials.

The audit also shows a staff turnover of 4 per cent, excluding 16 of the redundancies from the workforce of 134 at the beginning of the last financial year. It says there are no employees from ethnic minorities, but two registered disabled staff.

It also lists 65 working days for executives and managers taken up with training.

There are about 3,750 non-voting current shareholders.

D-MARK ISSUES

Bundesbank guidelines set to give boost to sector

THE MARKET for debt issued in D-Marks, long shackled by cumbersome regulations, is at last catching up with comparable sectors.

The new Bundesbank guidelines on issuing D-Mark paper, which come into force at the beginning of August, are set to provide a further boost to the market's recent development. Because of the importance of the German economy, there is a natural appetite for D-Mark paper among international investors, but in the past concern about liquidity and reluctance to deal with different market practices have proved a strong deterrent.

While bunds have become increasingly broadly held, other types of securities have remained largely domestic instruments until recently. Meanwhile, foreign borrowers wishing to issue paper denominated in D-Marks have been kept out by complex rules and restrictions.

But in the last couple of years, growing supply and demand, and a gradual easing of rules by the Bundesbank, have boosted the D-Mark bond and commercial paper markets and their improving liquidity has encouraged greater international participation.

The latest move by the Bundesbank is set to accelerate that process and enhance the competitiveness of German capital markets; but German bankers say it will not necessarily improve their profits.

The main thrust of the change is the abolition of the two-year minimum maturity requirement for foreign companies. The requirement still applies to banks or other financial institutions.

The new Bundesbank regulations have also done away with a number of other inconveniences – and expenses – involved in issuing D-Mark paper: the requirement to appoint a German paying agent; to use the German clearing system; to list on a German stock Exchange; and to use German law. In addition, German branches of foreign banks can now arrange debt offerings.

In the first half of 1992, volume in the D-Mark sector of the Eurobond market leapt to $14.8bn (equivalent), compared with $9bn for the same period the previous year.

The jump is accounted for not by the growing number of issues but by a substantial increase in the average size of D-Mark Eurobonds, which this year have included DM2bn issues for Finland and Spain.

"In the past, we could not persuade these issuers to borrow in size," said the syndicate head of one German bank, who added that it is the growing international investor base which has allowed the market to develop in this way. German banks have had to make a more concerted effort to sell to foreign investors since, until earlier this month, uncertainty on German tax rules had undermined their traditional German retail investor base.

One German banker estimated the cost savings on a Eurobond at about 3 to 4 basis points, which could bring some business to the sector, "but it is marginal". These savings, however, are for the borrower and, unless volume is increased substantially, German banks could lose out, due to greater competition from foreign houses.

But it is the D-Mark commercial paper market which stands to benefit most from the latest changes by the Bundesbank. The CP market, which only opened in February last year, has already attracted more than 40 issuers, and the total value of programmes exceeds DM30bn.

Bankers predict that programmes could reach DM50bn by the end of the year, up from DM16.3bn at the end of 1991, as the pace of expansion accelerates following the abolition of the minimum maturity of two years for foreign non-bank issuers.

These means that foreign companies will now be able to incorporate D-Mark options into their existing Euro-commercial paper and Euro-medium-term note programmes.

"This will save costs and result in a much wider use of the D-Mark because it is so easy to do such issues," says Mr Christof von Dryander in the Frankfurt office of Cleary, Gottlieb, Steen & Hamilton, international lawyers.

Until now, large companies such as France's Alcatel have had to set up special German subsidiaries in order to issue D-Mark CP.

"The move is a significant boost for the DM's role as a fully-fledged investment currency ," says Mr Mark Houghton-Berry of Goldman Sachs in Frankfurt. "Obviously the DM has been the most important reserve currency for decades, but because of a number of restrictions many more companies have wanted to raise D-Marks than have found it simple or convenient to so."

The Frankfurt Stock Exchange said last week that it welcomed this liberalisation, "as a matter of principle". Privately, officials recognise that the move will force a fundamental reassessment of the listing procedures which are widely criticised as being complex and expensive – out of fear that the liberalisation will drive business away from Frankfurt to other financial centres, especially London and Luxembourg.

Tracy Corrigan and David Waller

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Sanwa Fin. (Aruba)(b)‡†	400	2002	10.25	(b)	100	Sanwa Intl.	-
Export Dev. Council†	300	1999	7	6.75	101.015	CSFB	6.565
Mitsubishi Oil Co(q)♦†	230	1996	4	2.625	100	Yamaichi Int.(Eur)	2.625
Int. Telecom. Satellite†	200	2002	10	7.375	99.725	CSFB	7.415
Alisa Four(c)‡†	64	1997	5	(c)	100	Nomura Intl.	-
Thyssen Finance†	200m	1999	7	7.5	101.70	Dresdner Bank	7.183
City of Yokohama†	130	2002	10	7.375	101.615	Bk of Toyko Cap.Mkts	7.144
Shochiku Co Ltds♦	100	1996	4	2.625	100	Nomura Intl.	2.625
World Bank(k)†	1.5bn	1997	5	(k)	(k)	IBJ/Merrill Lynch	-
Finnish Real Est.Bk.(l)‡†	100	1995	3	(l)	100	Salomon Bros. Intl.	-
STERLING							
Hanson(d)†	400	2006	13.66	10	97.442	BZW	10.343
Province of Ontario†	200	2002	10	9.375	99.297	Salomon Bros.	9.487
Britannia B/Society(f)‡†	100	1996	3.5	(f)	100	NatWest.Capt.Mkts	-
Confed.Treasury Service†	100	1997	5	9.5	100.775	S.G.Warburg Secs.	9.299
Slough Ests.(m)†	100	2012	10.5	11.625	99.367	S.G.Warburg Secs.	11.687
CANADIAN DOLLARS							
Tokyo Elec. Power†	500	1997	5	7.625	101.155	Goldman Sachs	7.341
European Inv. Bk.†	450	2002	10	8.125	99.374	Salomon Bros.	8.219
Kingdom of Norway†	500	1998	5.5	7.25	99.55	Paribas/IBJ	7.338
Eurofima†	150	1995	3	$6\frac{1}{2}$	100.8625	Goldman Sachs Intl.	6.176
AUSTRALIAN DOLLARS							
NatWest Bk.†	75	1997	5	8.125	101.75	NatWest Cap. Mkts.	7.690
Crdt.Local de France(s)†	250	1997	5.083	$7\frac{1}{2}$	98.698	Hambros Bank	7.813
BNP†	125	2002	10	9	100.05	Hambros Bank	8.992
Guinness Finance BV†	75	1998	6	8.25	101.80	NatWest.Cap.Mkts	7.862
D-MARKS							
Rep. of Turkey†	300	1999	7	10.25	100.75	Commerzbank	10.095
Mobil Oil Canada†	150	1997	5	8.375	101.75	UBS (Deutsch.)	7.937
FRENCH FRANCS							
Province of Quebec†	2bn	1997	5	9.25	99.578	CCF	9.360
Altus Finance(e)†	500	1998	5.5	zero	70.72	Credit Lyonnais	6.502
Credit Foncier(g)†	300	2004	12	8.53	99.60	Paribas Capt.Mkts.	8.585
Credit Foncier(h)†	300	2004	12	8.73	99.50	Paribas Capt.Mkts.	8.799
Societe Generale†	3.5bn	1993	1	10	99.92	Societe Generale	10.085
Credit Lyonnais(i)†	1bn	1995	3	10	101.31	Credit Lyonnais	9.432
Societe Generale(n)†	4bn	1993	1	10	99.92	Societe Generale	10.085
Rep. of Finland†	4bn	2003	11	9	99.32	CCF	9.100
SNCF(r)♦	3bn	2023	31	$8\frac{7}{8}$	98.71	Paribas Cap.Mkts.	9.065
Comptoir Des Entre.†	1bn	1999	7	9.375	99.625	Paribas Cap.Mkts.	9.451
CCDQ(u)†	1bn	1997	5	$9\frac{1}{2}$	101.455	Paribas Cap.Mkts.	9.125
YEN							
C.Itoh & Co.(o)‡†	30bn	1997	5	(o)	100.25	Daiwa Europe	-
Canon(p)‡†	30bn	1996	6	(p)	100.25	Yamaichi Intl. (Eur)	-
SWISS FRANCS							
Nippon Meat Pack.(a)♦★★†	200	1996	-	3.875	100	Credit Suisse	3.875
SNCI†	150	2000	-	7.375	101.625	SBC	7.102
EIB(t)†	150	2002	-	$7\frac{1}{4}$	102	SBC	6.986
Daimler Benz★★†	75	1996	-	$7\frac{1}{4}$	101.25	SBC	6.882
PESETAS							
Eurofima†	15bn	1997	5	11.35	101.15	Banco Santander	11.039
LUXEMBOURG FRANCS							
Bacob Overseas★★†	500	2000	8	zero	51.50	Bacob Bk.Lux.	8.649
BFCE(j)†	1bn	2002	10	9	102.30	BGL	8.647

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. ♦Variable rate note. †Final terms. a) Exercise price fixed at 2.50%. Callable on 23.7.94 at 101.00% and on 23.7.95 at 100.50%. Subordinated issue. Coupon pays 50bp over 3-month Libor for the first 5 years then 80bp over 3-month Libor thereafter. Callable at par after 5 years. c) Coupon pays 110bp over 6-month Libor and payable semi-annually. Non-callable. d) Fungible with existing £100m issue. Non-callable. e) Issue linked to CAC-40 stock index. Non-callable. f) Coupon pays 15bp above 3 month Libor. £75m issued now, remaining 25m issued as a tap after first 3 month payment. g) Bunny Bond. Fees undisclosed. Non-callable. h) Bunny bond. Coupon payable only in new bonds, no cash option. Non-callable. i) Fungible with existing French Franc 3.2bn issue. Non-callable. j) Full name of borrower: Banque Francaise du Commerce Exterieur. Subordinated issue. Non-callable. k) Global issue to be priced on 9.7.92 to yield between 5 and 7bp over US Treasury Bonds. l) Coupon pays 45bp over 6-month Libor and payable semi-annually. Non-callable. m) Issued on partly paid basis; 25% on 14.7.92 and the balance on 17.12.92. Non-callable. n) Amount increased from FFr3.5bn. Non-callable. o) Coupon pays 20bp over 3-month Libor. Non-callable. p) Coupon pays 20bp over 3-month Libor. Non-callable. q) Exercise premium fixed at 2.54%. Non-callable. r) Each bond carries one warrant. Two warrants buy one new bond fungible with the original deal at a price of 98.55 exercisable on 11/2/1993. s) Coupon payable semi-annually. Part of a A$750m registered bond programme. t) Callable after 8 years at 101. u) Full name La Caisse Central Desjardins Du Quebec. Note: Yields calculated on ISMA basis

Anthony Harris

Self-regulation: no last chance

IT IS now accepted wisdom that, after all the scandals of the last few years, self-regulation in the City of London is down to its last chance. But accepted wisdom is always a lagging indicator. If the City believes its own research project from the Corporation of London and the London Business School, which has just produced its interim report, there is no time for another try.

Its most important preliminary finding is that regulatory troubles could be the greatest threat to the City's future in Europe. It is not just that the present system is both cumbersome and ineffective (though that should be enough to merit a death sentence). The real danger is that any revised and "improved" system is likely to be over-ridden by Brussels.

Revision would therefore be a dangerous waste of time, despite *the persistent belief that self-regu*lation is a source of London's strength. However, there should still be time for the City to take the kind of lead in effective regulation that the Commission might regard as a model.

The would-be revisers are living in the distant past. It is true that self-regulation in London was once a source of strength, but it could not be sustained after the Big Bang. It used to work because though the rules were imprecise – simply a consensus on what was acceptable conduct – enforcement, through the blackball, was swift and ruthless. The post-1986 rules turned this system upside down: we were left with huge doorstops of rule books, but no effective enforcement at all.

There are two further weaknesses in the current system: it is run by the wrong people, and for the wrong objectives. Those inside the market could run an informal system very effectively, and they always knew that the prime objective was to make the City's services completely trustworthy for the outsiders who used them. Enforcing detailed rules, by contrast, is a job for lawyers, not traders; no wonder it has been ill-done.

The traders have made matters worse by devoting too much of their attention to protecting rival insiders rather than users and outside investors. This was perhaps inevitable while excessive competition squeezed margins almost out of existence, but the result has been to bring us to the brink of the very disaster that the City used to avoid at all personal cost: a loss of public confidence in the markets. This threshold has already been crossed in Tokyo, as it was in New York after the 1929 crash, and with the same result: a collapse in volume.

Visibly effective regulation may well, then, be the price of survival, as it was seen to be in New York when the 1933 Securities Act was brought in, as one of the first moves in the New Deal. The markets were demoralised by low reputation and reduced incomes (does this sound familiar?); so James M Landis, the brilliant young lawyer in charge of the legislation, and later first head of the Securities and Exchange Commission which *its created*, saw at once that he could harness market self-interest to the cause of tight regulation.

Though markets have changed out of recognition in six decades, the basic Landis approach still looks valid. First, adequate, verifiable information; second, effective powers to enforce disclosure on those who are reluctant; third, adequate staff to pursue wilful wrongdoers. All the things, in short, that were lacking in the Maxwell affair. He first won the enthusiastic support of the accounting profession, whose efforts to impose better standards had limped along for years on a voluntary basis (familiar again?), and the acquiescence of traders.

The result was an Augean clean-up at a pace that Hercules might have envied. The legislation passed almost unopposed. Sam Rayburn, in charge in the House of Representatives, remarked that he did not know whether this was because "it was so damned good, or so damned incomprehensible". The SEC got off to a flying start: in its first 15 months not a single decision was challenged in the courts. Men like Landis are born, not made; but his system still works, and we can learn from it.

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Long-dated issues hold up well

STERLING's decline caused some nervousness in the gilt market, though long-dated bonds held up relatively well due to a promising outlook for inflation over the next year.

While prices at the short end fell slightly, long-maturing bonds benefited from further signs that demand in the UK economy is extremely weak.

This point was rammed home by news that the retail prices index increased in the year to June by 3.9 per cent, from 4.3 per cent in May. The June figure is the lowest since last October and underlines how inflationary pressures are being squeezed due to weak demand linked to the recession.

Last week's fall in the pound against the D-Mark – it closed on Friday night at DM2.8725, or more than 2 pfennigs down on the week – unsettled some sections of the gilt market. It also effectively ruled out for the immediate future a cut in base rates, held at 10 per cent since early May. Many would like the government to reduce rates to revive the economy.

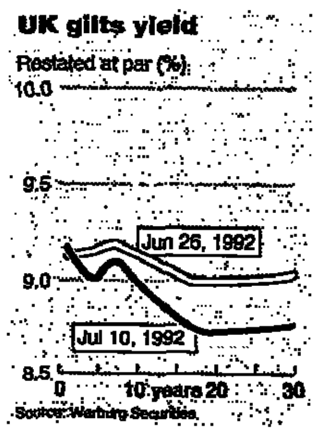
Reflecting the lack of likely movement on short-term borrowing costs, the benchmark short-dated 10 per cent Treasury bond maturing in 1994 was quoted on Friday night down nearly ¼ point on the week at 100⅝. Its yield was 9.24 per cent.

Long-dated gilts, however, performed better. This was on the basis that the longer base rates stay high, the sharper will be the disinflationary pressures, and the more obvious will be the value to investors of holding on long-term to fixed interest-rate securities. Accordingly, the long-dated 9 per cent stock due in 2008 gained ⅛ on the week, closing on Friday at 101⅞, for a yield of 8.79 per cent.

On the basis of the inflation prospects, it is possible to make out a good case for buying gilts, a view which appears to have been accepted by many

UK gilts yield

Restated at par (%)



Source: Warburg Securities

UK institutional investors in recent weeks. That may also be the case for many overseas investors, even with sterling looking fragile. If the point is accepted that the pound will soon rise from close to the bottom of its band in the European exchange rate mechanism, then anyone buying gilts using D-Marks or any of the other relatively strong European currencies will find UK bonds relatively cheap.

As for inflation, the retail-price figures showed how service-sector inflation – which was relatively high for much of last year – is dropping fast. Between January and June, year-on-year price increases for leisure, household and personal services have fallen from 11.3 per cent to 8.1 per cent, from 7.8 per cent to 5.9 per cent and from 8.8 per cent to 6.4 per cent.

More indications about the modest upward pressure on prices in the UK economy are likely tomorrow when the Central Statistical Office releases the latest data on the prices of manufactured goods at the wholesale level. Producer prices are expected to have risen by 3.5 per cent in the year to June, from 3.6 per cent in May, underlining the difficulties many companies face in increasing margins.

Peter Marsh

US MONEY AND CREDIT

Convention causes a shiver of apprehension

WHEN the Democratic party meets in New York this week to crown Mr Bill Clinton as its presidential nominee, it is also likely to send a shiver of apprehension through an otherwise bullish US credit market.

For a successful Democratic National Convention, producing a boost for Mr Clinton in the opinion polls, will create even greater uncertainty over the outcome of this year's three-way presidential race.

And anything that detracts from the chances of President George Bush being re-elected will be taken badly by the bond market, which still seems to assume a Bush victory and fears that inflation would be reignited by the kind of national investment programme being advocated by Mr Clinton.

Politics apart, the market has had plenty to be bullish about ever since the surprisingly bad employment report issued on July 2, and the Federal Reserve's quick response in slashing half a percentage point from the discount rate. Last week, corporate issuers rushed to take advantage of lower short-term rates, with the US market absorbing over $9bn of new corporate issues.

The interest rate differential, or spread, between risk-free Treasury bonds and corporate debt has tightened so much because of declining short-term rates that some of last week's corporate issues encountered substantial buyer resistance.

That in turn helped hold down the price of Treasury securities as traders lightened their positions to cover unsold corporate inventories.

Yet the overall mood remained strongly bullish as a succession of economic indicators released during the week suggested that the momentum of both the economy and inflationary pressures remain very weak.

The government reported on Friday that wholesale prices rose a mere two-tenths of 1 per cent in June, while on Thursday the Fed reported a $7.3bn drop in M2, the monetary aggregate it tracks most closely, for the week ending on June 29 and a $13.8bn decline in M3. M2 is showing an annual growth rate of 0.9 per cent, far below the Fed's target range of 2.5 to 6.5 per cent.

Statistics like this have increased fears of a "triple dip" recession, though the economic consensus still expects modestly accelerating growth in the second half. The coming week could bring some better economic news, with the retail sales figures for June forecast to show gains of between 0.2 per cent and 1 per cent, thanks mainly to a stronger automobile sector.

The weakness of the economy certainly leaves room for further Fed easing over the summer if the statistics look horrendous. But whether the central bank moves or not, its action on July 2 appears to have produced a substantial shift in the market's view of the remainder of 1992: no longer do analysts expect the Fed to reverse direction and start tightening monetary policy by the end of the year.

The Fed's easing, coupled with the poor economic statistics, helped push the dollar down sharply last week as, too, did the likelihood of tightening German monetary policy and the apparent willingness of Mr Nicholas Brady, the US treasury secretary, to talk the currency down during the G7 economic summit.

This raises two concerns for the bond market, both of which are likely to have most impact on the long end of the yield curve: one is a lack of enthusiasm among foreign investors, concerned about currency risk, for long-dated issues; the other is the threat of inflation implied by an effective dollar devaluation.

The latter need not, perhaps, be taken too seriously, given the generally weak state of the domestic economy. Yet the market refuses to put much faith in the long-term inflationary outlook, as underlined by the extraordinary slope of the yield curve, which is now so steep that one analyst calls it a "yield pole". The Democratic convention will do nothing to flatten it.

Martin Dickson

EUROPEAN BONDS

Traders wait for next turn of the monetary screw

THE SPECTRE of German monetary policy looks likely to haunt European government bond markets this week ahead of the Bundesbank's regular bi-weekly council meeting on Thursday.

Investors have been anticipating lower German interest rates since the start of the year but, so far, expectations have been misplaced. The Bundesbank has been more inclined to tighten policy rather than cut rates. By the end of last week, the market was bracing itself for another turn of the monetary screw.

Stubbornly high money supply growth and consumer price inflation are the root causes of anxiety. The authorities' favoured measure of money supply, M3, is growing at a year-on-year rate of 9 per cent, against a target range of 3.5 to 5.5 per cent.

Most analysts think the Bundesbank will not raise either the discount rate or Lombard rate. However, it could still tighten money market conditions in an attempt to restrict broad money growth.

For example, increased reserve requirements for banks – the amount banks must deposit with the authorities against loans – would increase the cost of credit. Alternatively, the Bundesbank could restrict the amount banks can borrow in the money markets at the Lombard rate – at 9.75 per cent its emergency funding rate for the financial system.

The danger is that either move could squeeze money rates higher and possibly necessitate a hike in the Lombard rate anyway. Overnight money was already trading uncomfortably close to the Lombard rate last week.

Against this background, German bonds prices were virtually static. The benchmark 8 per cent Unity bond closed on Friday on a yield of 7.96 per cent, unchanged on the week. Moreover, nervousness did not prevent the Bundesbank from selling DM8bn in new bonds.

This underlines that higher German interest rates could have a more serious impact outside the Federal Republic. For example, the strength of the D-Mark on the foreign exchange markets last week pushed sterling outside its notional narrow band limit against the German currency.

Strains within the ERM have already kindled talk of a sterling devaluation, possibly disguised by moving to a narrow band at a central rate below the current DM2.95. It is unlikely the gilts market will prosper under these conditions.

Simon London

SYNDICATED LOANS

RHM looks set to refinance complex multi-option loan

RANKS Hovis McDougall, the food processing group, looks likely to become the latest in a string of UK companies to refinance a complex loan facility arranged in the late 1980s with a simpler, relationship transaction.

The company is replacing a £250m multi-option facility arranged in 1988 with a revolving loan syndicated among a smaller group of relationship banks led by Barclays.

The earlier five-year transaction provided RHM with funding at an interest margin just 12.5 basis points over the London interbank offered rate. Last week, banks were tight-lipped about the terms under which the new facility is being offered.

Bankers estimate that interest margins have at least doubled – and in some cases trebled – since the late 1980s.

However, companies feel they can achieve better terms by dealing with a smaller number of banks. Last year, for example, Grand Metropolitan arranged a $2.5bn four-year loan to refinance an expiring three-year facility. The number of banks involved in the deal was cut from over 60 to 34.

At 37.5 basis points over Libor, the interest margin was considered tight. In 1988, GrandMet paid 25 basis points over Libor for three-year money. However, commitment fees of up to 27.5 basis points made the new facility attractive to potential lenders and the deal was oversubscribed.

Elsewhere, Woolwich Building Society increased from £100m to £150m its five-year revolving credit facility arranged by JP Morgan.

The 11 banks participating in the transaction include Abbey National, the former building society and residential mortgage lender. Abbey National is a rare participant in the syndicated credits market although it is large lender to the building society sector as a buyer of floating-rate and mortgage-backed securities.

Yorkshire Building Society is arranging a club loan from a small group of banks led by Fuji Bank. The deal was originally £50m but is likely to be increased to £75m this week.

● Citibank and Banco Santander will lead a syndicate of banks to finance the $1.25bn acquisition by Cemex, the Mexican cement company, of its Spanish rival Compania Valenciana de Cementos Portland.

The initial financing consists of a $750m guarantee to back the tender offer and a $800m bridge loan, which will be replaced by longer-dated funding.

Simon London

FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHT	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 9 3/4 94	200	[illegible]	[illegible]	4.88
ABN 9 1/8 94	200	[illegible]	[illegible]	5.37
AETNA LIFE & CAS 7 3/4 16	200	[illegible]	[illegible]	7.44
ALBERTA PROVINCE 8 5/8 96	750	[illegible]	[illegible]	6.26
ALBERTA PROVINCE 9 3/8 95	600	[illegible]	[illegible]	[illegible]
AMERICAN EXPRESS ZERO 00	450	[illegible]	[illegible]	7.95
AMERICAN GENERAL 9 3/4 95	100	[illegible]	[illegible]	6.55
AMERICAN INTL 0 04	750	39	[illegible]	8.09
ASIAN DEV BANK 0 04	1000	[illegible]	[illegible]	7.67
ASIAN DEV BANK 8 96	100	[illegible]	[illegible]	6.35
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SAS 10 1/8 95	150	[illegible]	[illegible]	6.54
SBAB 9 1/2 95	500	110	[illegible]	5.64
SBC FINANCE 7 3/4 96	200	[illegible]	[illegible]	5.94
SEAGRAM CO 8 1/2 96	100	[illegible]	[illegible]	7.50
SEARS EURO TRUST 8 3/4 96	750	[illegible]	[illegible]	6.39
SEARS O/S FIN 0 98	500	65	[illegible]	7.44
SEARS ROEBUCK EURO 9 3/4 95	500	[illegible]	[illegible]	6.19
SNCF 7 1/4 94	175	[illegible]	[illegible]	4.57
SNCF 9 1/2 98	150	[illegible]	[illegible]	6.75
STATE BK NSW 8 1/2 96	200	[illegible]	[illegible]	6.41
STATOIL 7 5/8 94	200	[illegible]	[illegible]	5.18
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
ASIAN DEV BANK 6 10	100	[illegible]	[illegible]	7.28
AUSTRIA 4 5/8 98	100	[illegible]	[illegible]	6.71
CHUBU ELEC POWER 6 3/4 01	300	[illegible]	[illegible]	7.25
COUNCIL EUROPE 4 3/4 98	250	[illegible]		7.32
EEC 5 1/2 00	100	89		7.29
EIB 6 1/2 98	800	[illegible]	[illegible]	7.07
ELEC DE FRANCE 7 1/4 06	100	[illegible]	[illegible]	7.21
FINLAND 5 3/8 95	150	[illegible]	[illegible]	7.30
GENERAL MOTORS 7 1/2 95	100	101	+1	7.07
JAPAN DEV BK 5 1/2 94	100	[illegible]	[illegible]	8.44
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on July 10

THE WEEK AHEAD

ECONOMICS

Unease over Germany's next move

TENSION will mount this week as financial markets contemplate Thursday's Bundesbank council meeting, which may decide to tighten German monetary policy in a further bid to damp demand pressures.

The strains in the European exchange rate mechanism likely to be caused by such a move could force other European nations to increase their own interest rates, at just the time when many would like to cut rates to stimulate growth.

In the UK, the weak demand due to the recession is likely to be underlined by tomorrow's release of the latest data on the prices of manufactured goods at the wholesale level. Producer prices are expected to have risen by 3.5 per cent in the year to June, from 3.6 per cent in May, illustrating the strong disinflationary pressures.

On Thursday, news is expected that the underlying increase in average earnings across the UK economy reached 6.75 per cent in the year to May, compared with 7 per cent in April, another indication of declining inflation.

The following are the highlights of releases of economic data over the next week. The numbers in brackets are median market projections, provided by MMS International, the financial information group.

Today: Belgium, European Community finance ministers meet in Brussels. Switzerland, monthly meeting of central bank governors from Group of Ten industrial countries, in Basle until Tuesday. Australia, May retail sales (down 1.2 per cent). Japan, June trade surplus ($9.1bn). Spain, June consumer prices index (up 0.3 per cent on month, 6.5 per cent on year). US, May home completions. France, markets closed until tomorrow, for holidays.

Tomorrow: Japan, June wholesale prices index (down 0.2 per cent on month, down 1.5 per cent on year), May machinery orders. Australia, May housing finance. New Zealand, 2nd quarter consumer prices index. UK, May industrial production (down 0.3 per cent on year) and manufacturing output (down 0.5 per cent on year, flat month-on-month), June producer prices index (flat month-on-month, up 3.5 per cent on year) and input prices for factory goods (flat month-on-month, down 1.1 per cent on year). US, June consumer prices index (up 0.3 per cent month-on-month; excluding food and energy, up by same amount), June retail sales (up 0.6 per cent on month; excluding cars, up 0.3 per cent), June real earnings and car sales for July 1-10.

Wednesday: Japan, May industrial production. New Zealand, first quarter gross domestic product. France, June consumer prices index (up 0.2 per cent month-on-month, 3.1 per cent on year). Finland, June consumer prices index. US, June industrial production (down 0.4 per cent month-on-month) and capacity use in industry (78.6 per cent).

Thursday: Germany, Bundesbank council meets in Frankfurt, will consider new monetary targets and whether to tighten monetary policy. UK, June public sector borrowing requirement (£3.5bn), June unemployment rise (25,000), rise in average earnings in May (6.75 per cent on year), manufacturing unit costs in May. US, June housing starts (1.2m) and building permits, initial claims for week ending July 4, money supply figures for week ending July 6 and also for June. Canada, June consumer prices index (up 0.2 per cent on month and 11.1 per cent on year).

Friday: US, May merchandise trade deficit ($6bn), exports ($36.5bn) and imports ($42.5bn). Denmark, June consumer prices index (up 2.6 per cent on year). Canada, May manufacturing data

During the week: Germany, June wholesale prices index (up 0.1 per cent on month). Italy, May industrial production (up 3.6 per cent on year), June wholesale prices index (up 3 per cent on year), June producer prices index (up 2 per cent on year). Japan, June money supply. Switzerland, June trade balance.

Peter Marsh

RESULTS DUE

OWNERS ABROAD, the holiday company, is expected to announce half-year pre-tax losses on Thursday of between £23.5m and £26m, compared to £21.4m last time.

The figures in themselves are of little interest. Holiday companies have large costs in the first half and receive most of their payments in the second.

More eagerly awaited will be a statement on high season bookings and the dangers of continued discounting. A sluggish season could signal another price war.

Tomkins, the industrial conglomerate run by Mr Greg Hutchings, is likely to report today an increase in pre-tax profits for the year ended April of around 15 per cent. The consensus forecast is £131m against £112m a year earlier.

The US continues to provide the group's growth, with the latest period benefiting from a full-year contribution from Philips Industries, now operating under the umbrella of Tomkins Industries, the group's predominantly US arm.

While the market is always interested in where Mr Hutchings' acquisition ambitions might take him next, he is unlikely to give many clues with the results.

Ellis and Everard, the chemical processor and distributor reporting today, has recently suffered a minor profit downgrading to around £13m pre-tax for the year ended April from £17.5m a year earlier. The downturn reflects the recession and a likely exceptional charge.

Wednesday is Cider Day, with Taunton Cider closing its share offer and H P Bulmer (Holdings) producing its annual figures. The latter will have the better of it. Pre-tax profits at Bulmer have risen to about £16m from £14.4m thanks to growth of the UK market. Although Taunton has enjoyed similar gains, its offer is unlikely to appeal right now to shareholders giving a wide berth to any new issue.

PARLIAMENTARY DIARY

■ **TODAY**

Commons: Questions to National Heritage Secretary and Chancellor of the Duchy of Lancaster. Debate on report of select committee on sittings of the House. Debate on select committees nominations.

Lords: British Coal and British Rail (Transfer Proposals) Bill, second reading. Companies (Single Member Private Limited Companies) Regulations. Parole Board (Transfer of Functions) Order. Debate on building fire safety rules.

■ **TOMORROW**

Commons: Health questions. 3.15pm Questions to the Prime Minister. Sea Fish (Conservation) Bill, remaining stages. Badgers Bill, all stages. Trade Union and Labour Relations Bill, all stages. Tribunals and Inquiries Bill, all stages. Debate on MPs' office costs allowance.

Lords: Finance Bill, all stages. Debate on EC report on Community enlargement. Summer Time Order. Debate on protection against discrimination for UK ethnic minorities in EC.

Committee: European legislation. Subject, UK presidency of EC. Witness: Mr Tristan Garel-Jones, minister of state for the Foreign and Commonwealth Office. 4.15pm, committee room 15.

■ **WEDNESDAY**

Commons: Environment questions. Human Fertilisation and Embryology (Disclosure of Information) Bill, all stages. Education (Assisted Places) (Amendment) Regulations. VAT orders.

Lords: Debates on industrial policy and the famine threat in southern Africa. Civil Rights (Disabled Persons) Bill, report. Debate on recruitment policies of People's Dispensary for Sick Animals.

■ **THURSDAY**

Commons: Short backbench debates.

Lords: Boundary Commissions Bill, second reading. Child Support orders. Council Tax Benefit (General) Regulations. Horticultural Development Council (Amendment) Order. Data Protection (Regulation of Financial Services) (Subject Access Exemption) (Amendment) Order. Access to Personal Files (Housing) (Scotland) Regulations. Education (Assisted Places) (Amendment) Regulation. Debate on aid and arms sales to Indonesia and human rights in East Timor.

(Both Houses rise on Thursday for the summer recess, returning on Monday, October 19.)

UK COMPANIES

■ **TODAY**

COMPANY MEETINGS:
Gieves Grp., English Speaking Union, 37, Charles Street, W., 12.00
Goldsmiths Grp., 4, Broadgate, E.C., 12.00
Norcros, Butchers Hall, Bartholomew Close, E.C., 12.00
PCT Grp., Gleddoch House Hotel, Langbank, Renfrewshire, 12.00

BOARD MEETINGS:
Finals:
Ellis & Everard
Matthew Clark
Multitone Elect.
Tomkins
Interims:
East German Inv. Tst.
Trust of Property Shares

■ **TOMORROW**

COMPANY MEETINGS:
Ball (A.H.), 100, Wood Street, E.C., 10.00
Baris Hldgs., Baris House, Nunn Brook Road, Huthwaite, 12.00
British Airways, Barbican Centre, Barbican, E.C., 12.00
Cassidy Brothers, Mitcham Road, Marton, Blackpool, 3.00
Courtaulds, London Marriott Hotel, Duke Street, W., 10.45
Foster (John), Black Dyke Mills, Queensbury, Bradford, 12.30
Great Portland Estates, Cafe Royal, 68, Regent Street, W., 12.00
Henderson Administration, 3, Finsbury Avenue, E.C., 12.30
Owen & Robinson, 10, Snow Hill, E.C., 11.00
Salvesen (Christian), Caledonian Hotel, Princes Street, Edinburgh, 11.00
Young & Co's Brewery, Park Inn Intl. Lillie Road, Fulham, S.W., 4.00

BOARD MEETINGS:
Finals:
Birse
Bucknall
Clarke Hooper
Heiton
Morris Ashby
Nobo
Pelican
Prism Leisure
Triplex Lloyd
Wood (John)
Interims:
CMW
Eurotherm
Low & Bonar
Miskin

■ **WEDNESDAY JULY 15**

COMPANY MEETINGS:
Caffyns, Hydro Hotel, Mount Road, Eastbourne, 3.00
Finsbury Tst., Imperial Hotel, Russell Square, W.C., 12.00
Fleming High Income Inv., Tst., Hospitality Inn, Cambridge Street, Glasgow, 12.00
Johnson Matthey, 2-4, Cockspur Street, Trafalgar Square, S.W., 11.30
Penna, Orion House, 5, Upper St. Martins Lane, W.C., 10.00
Plysu, Tallow Chandlers Hall, 4, Dowgate Hill, E.C., 12.15

BOARD MEETINGS:
Finals:
Bulmer (HP)
Dalepak Foods
Denmans Elect.
Tomorrows Leisure
Wyko

■ **THURSDAY JULY 16**

COMPANY MEETINGS:
Airflow Streamlines, Northampton Moat House, Silver Street, Northampton, 12.00
Gartmore Value Invs., Gartmore House, 16-18, Monument Street, E.C., 10.00
Heath (C.E.), 133, Houndsditch, E.C., 10.00
Mirror Grp. Newspapers, Queen Elizabeth II Conference Centre, Broad Sanctuary, S.W., 10.30
Reed Intl., Savoy Hotel, Strand, W.C., 12.00

BOARD MEETINGS:
Finals:
Brasway
Hampson Inds.
Jones Stroud
Moorgate Inv.
Norbain Elect.
Peel
Power Corp.
Interims:
Baring Tribune Inv. Tst.
Cardiff Prop.
General Cons.
National Home Loans

■ **FRIDAY JULY 17**

COMPANY MEETINGS:
British Inv. Tst., 4, Melville Crescent, Edinburgh, 11.30
British Land, May Fair Hotel, Stratton Street, W., 12.00
Eagle Tst., National Motorcycle Museum, Coventry Road, Bickenhill, 11.00
Ivory & Sime, Caledonian Hotel, Princes Street, Edinburgh, 12.30
Marks & Spencer, Grosvenor House Hotel, Park Lane, W., 11.30
Readicut Intl., Institute of Directors, 116, Pall Mall, S.W., 12.30
Thorn EMI, Grosvenor House Hotel, Park Lane, W., 11.30
Vosper Thornycroft, Victora Road, Woolston, Southampton, 2.30

BOARD MEETINGS:
Finals:
British Bloodstock
Jacques Vert
Interims:
Aberforth Smaller Co's
Crosvenor Dev. Cap.
St. Andrew Tst.
Selective Assets Tst.

Company meetings are annual general meetings unless otherwise stated.

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**

Barlow Rand R0.54
Briston Estate 5.2p
Commonwealth Bank of Australia Und. Fltg. Rate Nts. (Feb.1989) $209.81
East Surrey Hldgs. 8p
European Project Inv. Tst. 0.47333p
Hongkong & Shanghai Bank Prim. Cap. Und. Fltg. Rate Nts. (Ser.3) $55.3
Jackson Grp. 1p
Land Securities 15.75p
Marine Midland Fin. Gtd. Fltg. Rate Sb. Nts. 1994 $13.27
MBE Finance Ser.A Gtd. Dual Basis Bd. 2001 $230.03
Do. Ser.B $224.97
Nat West Bank Prim. Cap. Fltg. Rate Nts. Ser.A $211.7
Northern Indl. Improvement Tst. 8p
Perpetual 1.2p
Ralston Inv. Tst. 1.275p
Rolls-Royce 4.7p
Smart (J.) 2.3p
Smith (J.) Estates 2.5p
Tiger Oats R0.28

■ **TOMORROW**

BZW Conv. Inv. Tst. 1.5p
Do. Eq. Index Uns. Ln. 1996/2002 1.669333p
Danka Business Systems 2.5p
Fluor Corp. $0.10
Foster (J.) 0.5p
Funding 3½% 1999/2004 £1.75
Hewden Stuart 2.285p
MEPC 5.25p
M & G Second Dual Tst. 10.67p
Treasury 12½% Ln. 1993 £6.25
Treasury 13% 2000 £6.50
Wilkes (J.) 5.25p
York Waterworks 5.7p
Do. A 5.7p
Young & Co's Brewery A 7.5p
Do. N/Vtg. 7.5p

■ **WEDNESDAY JULY 15**

Agricultural Mortgage 5½% Db. 1993/95 £2.75
Do. 6¼% Db. 1992/94 £3.125
Albert Fisher 1.85p
Am. Medical Int. 9⅞% Un. Ln. 2011 £4.9375
ASDH Cap. Fin. 9½% Cv. Cap. Bd. 2006 4.75p
Barclays 12% Un. Cap. Ln. 2010 £6.00
BCE $0.65
Bradford & Bingley Bldg. Society Fltg. Rate Nts. 1999 £262.36
Caffyns 6.5p
Chrysler Corp. $0.15
Churchbury Estates 4.2% Cm. Pf. 2.1p
Clarke Foods 8% Cv. Un. Ln. 1997 £4.00
Drayton Recovery Tst. 2p
Edinburgh Inv. Tst. 3¾% Db. 1998 £1.875
Evode Cv. Cm. Pf. 3.5p
Finsbury Tst. 1.8p
D0. A N/Vtg. 1.8p
Govett Strategic Inv. Tst. 10⅜% Db. 2016 £5.1875
Great Portland Estates 6.6p
Halifax Bldg. Society Fltg. Rate Nts. 1995 £262.62
Helical Bar 5¼% Cv. Rd. Pf. 2012 2.625p
Hewlett-Packard $0.20
Inco 15¾% Un. Ln. 2006 £7.4375
Ireland (Rep. of) 9% Gvt. Bd. 2001 IR£4.50
Lasmo 9⅝% Cm. Rd. Pf. 1996 4.8125p
Lucas Inds. 10¾% Un. Ln. 1992/97 £5.375
McKechnie 5p
Morgan (J.P.) $0.545
Motorola $0.19
Murray Int. Tst. 3.9% Cm. Pf. 1.95p
North Surrey Water 4% Db. £2.00
Do. 4¼% Db. £2.125
Do. 5¼% Db. £2.625
Do. 7¼% Rd. Db. 1991/93 £3.625
Occidental Petroleum $0.25
Pacific Gas & Elect. $0.44
Perkins Foods Cv. Rd. Pf. 2005 4p
Quaker Oats $0.43
Quebec Central Railway Cap. £2.50
Royal Tst. Gvt. Sec. Fd. Inc. Ptg. Rd. Pf. 1.3p
Seiyu 6.15% Bd. 1997 Y164,000
SmithKline Beecham A 4.15p
Do. Equity Units $0.4877
Sweden (Kingdom of) 11% Ln. 2012 £550.0
Tollgate Hldgs. 14% Sb. Cv. A Db. R3.50
Do. B R3.50
Treasury 9½% Ln. 1999 £4.75
Witan Inv. 3.4% Cm. Pf. 1.7p

■ **THURSDAY JULY 16**

Aberdeen Tst. 1p
Anglo & Overseas Tst. 4½% Cm. Pf. 1.575p
Bank of Scotland 2.65p
Delyn 1p
Drayton English & Int. Tst. 0.6p
European Inv. Bank 9% Ln. 2001 £225.0
Finlay (J.) 2.15p
Henderson Administration 28.5p
McLeod Russel 2.75p
Nat West Bank Non-Cm. Pf. Ser.A $0.49875
Plysu 4.35p
Suzuki 6% Bd. 1996 Y163,333
Treasury 8½% Ln. 2007 £4.25
Tronoh Mines Malaysia M$0.30

■ **FRIDAY JULY 17**

Avon Rubber 5p
Barings Gtd. Fltg. Rate Cap. Nts. 2001 $252.78
Body Shop Int. 0.92p
Capital Radio 1.75p
Craig & Rose 12.5p
Daily Mail & Gen. Tst. 32p
Do. A N/Vtg. 32p
Devenish (J.A.) 1.5p
Mid Southern Water 2.6p
Do. N/Vtg. 2.6p
Sanwa Int. Fin. Gtd. Fltg. Rate Nts. 1993 $2230.76
Spandex 4.1p
Treasury 2½% I.L. 2024 £1.7354
Westbury 5.75p
Young (H.) 2p

■ **SATURDAY JULY 18**

Echlin $0.175
Throgmorton Dual Tst. 1.75p

■ **SUNDAY JULY 19**

Exchequer 9¾% 1998 £4.875
Treasury 2% I.L. 2006 £1.95

WORLD STOCK MARKETS

AUSTRIA

1992 High	1992 Low	July 10	Price Sch
2,890	1,999	Austrian Airlines	2,010
570	408	Creditanstalt Pf	486
3,925	2,830	EA General	3,330xd
906	750	EVN	843
16,400	9,850	Jungbunzlauer	16,250
1,074	735	OeMV	737
1,650	1,340	Perlmooser Zement	1,340
700	388	Radex Heraklith	554
1,889	1,474	Reininghaus Brau	1,474xd
308	176	Steyr Daimler	182
456	261	Veitscher Magnesit	330
567	449	Verbund (Br) A	451xd
5,320	3,960	Wienerberger	4,570
1,200	998	Z-Laenderbank	1,044

BELGIUM/LUXEMBOURG

1992 High	1992 Low	July 10	Price Frs.
2,680	2,110	ACEC-Union Min	2,210
2,250	1,760	AG Group	1,805
4,350	3,220	Arbed	3,900xd
3,530	3,410	BBL	3,530
12,000	11,500	Bank Intl a Lux	11,500
12,400	11,500	Banq Gen Lux Pts	11,500
1,378	960	Barco	1,242
13,300	9,100	Bekaert	12,600
8,800	6,510	CBR Ciment	8,490
2,375	1,920	CMB	2,200
5,150	4,800	Cobepa	4,850
5,050	4,770	Cobepa AFV I	4,810
178	141	Cockerill Priv	156xd
5,070	4,410	Colruyt	4,690
1,940	1,530	Delhaize Frs Lion	1,625
5,040	4,500	Electrabel	4,760
4,985	4,475	Electrabel AFV I	4,630
2,930	2,450	Electrafina ACT	2,500
3,590	3,000	GBL	3,180
3,520	3,000	GBL AFV I	3,160
1,480	1,192	GIB Group	1,458
1,400	1,156	GIB Group AFV	1,384
420	310	Gechem	340
388	310	Gechem AFV	310
6,820	5,910	Generale Banque	6,400
6,700	5,850	Gen Banque AFV I	6,260
7,150	6,430	Gevaert	6,730
4,290	3,300	Glaverbel	4,030
5,020	4,700	Kredietbank	4,840xd
4,995	4,225	Kredietbank AFV	4,660xd
13,900	12,800	Pan Holding Lux	12,800xd
11,750	10,250	Petrofina	11,000
2,640	2,040	Powerfin	2,070
2,600	1,965	Powerfin AFV	2,025
5,000	3,615	Royale Belge	3,940
4,600	3,500	Royale Belge AFV I	3,510
2,285	1,775	Soc Gen Belge	2,120
2,180	1,775	Soc Gen Belge AFV	2,000
12,225	10,900	Sofina	10,925
13,650	11,550	Solvay	12,250
7,050	5,560	Tessenderlo	6,450
8,700	7,530	Tractebel	7,930
8,150	7,500	Tractebel AFV I	7,590
23,500	19,100	UCB	21,500
22,850	18,425	UCB AFV	20,425

DENMARK

1992 High	1992 Low	July 10	Price Kr
760	440	Baltica Holding Reg	520
307	250	Bikuben	253
380	268	Carlsberg A	293
106,500	87,000	D/S 1912 A	91,500
925	548	Danisco	730
342	265	Den Danske Bank	267
176	122	East Asiatic	130
770	600	FLS Ind B	665
370	300	Great Nordic	326.70
426	96.75	Hafnia Hldgs A	115xr
429	82.75	Hafnia Hldgs B	88.50xr
1,025	799	ISS Intl Serv B	1,005
365	284	Jyske Bank Reg	305
2,100	1,650	Lauritzen (J) B	1,980
380	243	NKT A/S	255
833	284	Novo Nord B	531
2,120	1,650	Sophus Berend B	1,980
441	365	Superfos	370
980	797.60	TopDanmark	797.60
234	156.80	Unidanmark A	173

FINLAND

1992 High	1992 Low	July 10	Price Mka
78	63	Amer	77
69.50	45	Cultor	55
19.80	15.30	Enso R	16
128	91	Huhtamaki I Free	128
19.80	7	KOP	8.50
445	371	Kone B Free	390
83.50	67.50	Kymmene	70
75	50	Metra B Free	60
74	48	Nokia Pref Free	59
75	43	Pohjola B Free	48
50	36.80	Repola (Free)	42
140	115	Stockmann B	128
14	9.50	Tampella Free	9.50
19	9	Unitas Bk C Free	9.50

FRANCE

1992 High	1992 Low	July 10	Price Frs.
537	441	AGF	463xd
840	642	Accor	704
819	656	Air Liquide	771
679	536	Alcatel Alsthom	643xd
1,120	532	Auxil Entrepr	601xd
1,055	756	Axa	863
835	579	BIC	820
1,194	1,003	BSN	1,105
420	300	BNP Cert Inv	344xd
529	370	Bancaire Cie	383
3,350	2,400	Bongrain	3,120
684	515	Bouygues	573

FRANCE (continued)

1992 High	1992 Low	July 10	Price Frs.
1,295	945	CGIP	1,069
1,235	983	Canal+	1,177xd
339	254.50	Cap Gemini S	260
202.50	162.50	Carnaudmetalbox	178
2,825	2,291	Carrefour	2,650
187.90	132.20	Casino	147
848	600	Cetelem	765
1,298	885	Chargeurs	1,169xd
554	400	Club Mediterranee	471.70
380	282	Cogifi	290xd
701	566	Coparex	615xd
204.90	161.60	CCF	177.50
1,050	812	Cr Fonc France	816
677	490	Cred Lyon (CI)	540xd
1,179	888	Credit National	900
3,390	2,325	Damart	3,220
458	338	Docks de France	400
382	260	Dollfus Mieg Cie	374.50xd
933	710	EBF	865xd
2,449	2,030	Eaux Cie Genl	2,258xd
486	341.50	Ecco	426xd
403.80	348	Elf-Aquitaine	355.80xd
289	230	Elf-Aquitaine Certs	246xd
696	565	Eridania B-Say	647
530	450	Eridania B-Say CI	500
494.90	300.50	Essilor Int	414xd
2,175	1,622	Eter	2,010
1,680	1,243	Eurafrance	1,305
726	551	Eurocom	635
165.20	101.50	Euro Disney	105.80
127.80	105	Finextel	106
705	580	Fonc Lyonnaise	581
3,470	2,280	From C et Aux	3,433
448	302	GTM-Entrepose	409xd
2,225	1,321	Gal Lafayette	1,900xd
740	430	Gaumont (Soc N)	469
770	450	Geophysique	702xd
190	117	Hachette	117
552	434	Havas	489.10
367	233.20	Imetal	320
1,009	751	Imm de France	760
743	580	Immobanque	598
170	115	Immob Phenix	120xd
7,390	5,600	Industrielle	5,990xd
480	406	Interbail	406.10xd
920	658	Intertechnique	690
4,814	3,651	LVMH	3,820
394.90	312.20	Lafarge Coppee	318xd
942	716	L Oreal	937xd
5,130	3,581	Legrand	4,522
473	375	Legris	385
584	422.80	Lyon Eaux Dumez	523
201	155	Matra	189.10xd
610	470	Merlin-Gerin	496xd
221	120.50	Michelin B	204.50
190.80	141.50	Moulinex	149
1,277	970	Navigation Mixte	1,011
134.80	85	Nord Est	118.50
270	161.50	Orsan	180
448	305	Paribas	325.50
293	234.30	Paris Reescompte	240.90
423	297.50	Pernod Ricard	385.10
802	590	Peugeot	706xd
379	260	Pinault	354.50
635	390.20	Poliet	529
953	718	Printemps (Au)	749xd
774	540	Promodes	677
650	440	Radiotechn	490
6,080	4,520	Redoute	5,750xd
670	468	Rhone Poulenc Cts	567
2,398	1,710	Roussel-Uclaf	2,270
627	534	SILIC	600
2,250	1,575	Sagem	2,240xd
614	430	Saint Gobain	565
1,406	1,178	Saint Louis	1,200xd
1,240	990	Sanofi	1,034
782	541	Schneider	633xd
2,400	1,660	Seb SA	2,004
494	360	Sefimeg	390xd

TOKYO - Most Active Stocks

Friday 10 July 1992

	Stocks Traded	Closing Prices	Change on day
Fuji Heavy Inds	7.1m	385	+9
Ricoh Co	4.6m	673	-3
Taiyo Fishery	4.3m	483	-19
OKI Electric Ind	3.8m	437	+3
NPN Steel	3.8m	278	-3
Meiji Milk Prod	3.6m	970	-10
Toshiba Corp	3.6m	651	-1
Denki Kag	3.4m	363	+5
Suzuki Motor	3.2m	805	-4
Hitachi	3.1m	806	+2

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline, call 0891 123456. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-925-2128

AUTHORISED UNIT TRUSTS

Marks & Spencer Unit Trust Ltd (1200)F
PO Box 410, Chester X, CH99 9GG 0244 680066

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
M & S Inv P'folio	5½	109.3	109.6xd	117.2	3.14	46595
Do Accum	5½	120.2	120.6xd	128.9	3.14	46596
UK Sel P'folio	5½	90.56	91.51xd	97.65	4.60	47804
Do Accum	5½	99.59	100.4xd	107.3	4.60	47805

Marlborough Fund Managers Ltd (1630)F
57 Victoria Square, Bolton, BL1 1LA 0204 364842

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
Managed Tst	5	52.10	52.39	55.73	5.20	46894

Martin Currie Unit Trusts Ltd (0905)H
Saltire Crt, 20 Castle Terrace, Edinburgh 031 479 4646

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
Far East (Pacific)(x)	5¼	92.53	92.53xd	98.22	0.88	41357
Income & Growth	5¼	59.72	59.72	63.39	4.41	41358
European (z) ♦	5¼	56.04	56.04	59.47	1.09	41359
Nth American (z)	5¼	38.65	38.65xd	41.02	0.77	41360
Intl Growth(9-1)	5¼	67.41	68.50	72.71	0.66	41361
UK Growth	5¼	60.49	61.44	65.22	1.72	41362
Intl Income	5¼	51.31	51.90xd	55.09	4.54	46966
Charities	5¼	90.03	91.22	96.83	5.41	46963
Japan	5¼	29.62	29.62	31.44	0.19	47599
Emerging Markets	6	55.99	57.18	61.15	0.76	46599

For Matheson see Cannon UT

For Mayflower Mngmt see Sheppards UT Mngmt

Mercury Fund Managers Ltd (1800)H
33 King William St, EC4R 9AS 071-280 2060

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
American	5	124.6	124.6xd	132.4	0.00	40918
(Accum Units)	5	133.1	133.1xd	141.5	0.00	40919
American Opps	5	49.87	49.87	53.20	0.00	40922
(Accum Units)	5	50.55	50.55	53.92	0.00	40923
British Blue Chip	5	61.91	61.94	66.07	4.04	40924
(Accum Units)	5	70.81	70.84	75.57	4.04	40925
Cash *	0	101.7	101.7	101.7	9.98	46004
(Accum Units) *	0	123.2	123.2	123.2	9.98	46005
European Growth	5	157.8	157.8	167.3	0.54	40926
(Accum Units)	5	167.5	167.5	177.6	0.54	40927
European Income	5	60.77	60.77xd	64.49	3.64	40928
(Accum Units)	5	75.90	75.90xd	80.56	3.64	40929
General	5	383.0	384.5	410.2	2.96	40932
(Accum Units)	5	711.8	714.6	762.3	2.96	40933
Global Bond	5	105.9	105.9	111.3	6.64	41118
(Accum Units)	5	112.8	112.8	118.5	6.64	41119

National Provident Inv Mgrs Ltd (1400)H
48 Gracechurch St, EC3P 3HH 071-623 4200

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
NPI Americas Acc ♥	5½	71.61	71.98	76.98	0.16	41103
NPI Americas Dist ♥	5½	66.27	66.61xd	71.24	0.16	46660
NPI European Acc	5½	68.31	68.85	73.64	0.12	41104
NPI European Dist	5½	66.29	66.82	71.46	0.12	46661
NPI Far East Acc ♥	5½	95.07	95.60	102.25	0.01	41105
NPI Far East Dist ♥	5½	93.7	94.2	100.8	0.01	46662
NPI Global Dist	5½	52.23	52.57	56.22	2.58	41935
NPI O'seas Acc	5½	833.6	838.4	896.7	0.69	41107
NPI O'seas Dist	5½	645.3	648.9	694.0	0.69	41106
NPI UK Acc	5½	492.2	495.3	529.7	3.09	41109
NPI UK Dist	5½	263.1	264.7	283.1	3.09	41108
NPI Extra Inc Dist	5½	53.91	54.35	58.11	4.91	41936
NPI UK Spec Opp Acc	5½	56.94	57.26	61.24	2.59	41937
NPI W'wide Acc	5½	70.93	73.43	78.53	0.00	41210
NPI W'wide Dist	5½	67.96	70.36	75.25	0.00	46663
NPI W'wide Inc Dist	5½	49.10	49.32	52.75	2.39	41938

For National & Provincial UT Mngrs see N&P UT Mngmt

Newton Fund Mngrs Ltd (1200)F
2, London Bridge, SE1 9RA 071-407 4404

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
Newton Income	6	158.69	162.25xd	172.61	5.11	41593
Newton Global	6	199.46	199.46	212.20	1.39	41594
Newton General	6	126.47	129.95	138.25	3.09	41660
Newton Intl Bd	6	98.51	99.96	106.35	7.47	40232

Norwich Union Tst Managers (1200)H
PO Box 124, 51/59 Rose Lane, Norwich 0603 682234

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
Master Trust	6	86.30	86.30	91.80	3.76	46932
UK Equity	6	106.92	108.47	115.39	4.23	41111
UK Equity Income	6	101.76	103.57xd	110.18	5.83	46935
UK Smaller Co's	6	89.85	93.32xd	99.28	2.97	46936
UK Equity Growth	6	100.36	101.97	108.48	4.62	46934
UK Index Tracking ♦ F	6	105.44	106.10	112.87	4.68	47662
Intl Index Tracking F	6	90.79	91.55	97.39	1.53	40364
International	6	147.89	149.52	159.06	2.11	41112
European	6	120.94	121.91	129.69	1.38	41114
Pan European	6	91.95	93.02xd	98.96	3.19	43997
Nth American	6	113.36	114.48	121.79	2.37	41115
Nth Amer Smllr Cos	6	96.98	99.13xd	105.46	0.00	47663
Japanese	6	52.14	52.92xd	56.30	0.00	47005
Pacific	6	122.03	123.90xd	131.81	1.14	41113
South East Asian	6	124.56	126.62	134.70	1.07	46933
International Bond	6	103.70	103.81	110.44	6.15	46931
Gilt & Convertible	6	99.49	99.67xd	106.03	8.14	46938
Property F	6	68.16	70.14xd	74.62	5.83	44768
Cash Deposit Accum F	0	101.67	101.67	101.67	9.54	40555

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline, call 0891 123456. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-925-2128

Unit Name	Init Chge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh					031-226 3271	
American ♥	5	254 1	254 1	270.3	0 87	41410
(Accum Units) ♥	5	299 1	299 1	318.1	0.87	41411
British	5	803 0	820 0	867 6	6.23	41416
(Accum Units)	5	1346.6	1375.1	1455 0	6.23	41417
European	5	335 2	335 2	356 6	1.47	41418
(Accum Units)	5	363.4	363 4	386 6	1 47	41419
Japan	5	89.83	89 83	95 50	–	41420
(Accum Units)	5	90 55	90 55	96.26	–	41421
New Pacific	5	199 7	200.4xd	213.4	1 65	46365
(Accum Units)	5	207.5	208 2	221 7	1 65	47484
Investment Tts June 12	0	134.8	137 4	145 6	2.50	47588
Mngd Equity	5	123 7	124.9xd	132 1	2 94	47596
Mngd Equity Acc	5	133 3	134 6	142.4	2 94	40556
Mngd Cash	0	95.55	95.55xd	95.55	9 71	47585
(Accum Units)	0	122.1	122 1	122 1	9 71	40557
Majority Stlg	1	99.64	99 64xd	100 64	9 45	42703
Majority Stlg Acc	1	112.39	112.39	113.52	9 45	45449
Storebrand Intl Inv Mngrs Ltd (1200)F						
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries 0277 227300			Dealing: 0277 261010			
International Jul 1	0	47.71	47.71	48 21	1.53	46906
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
St Mark's Court, Horsham					0403 232323	
Equity	6	603 4	610 8	653.3	3 07	41423
North America	6	75.58	75 58	80 83	0 61	41424
Far East	6	84.00	84 00	89 84	0.51	41425
W'wide Bond	6	47 10	47.10	50 11	5.58	41426
European	6	66 87	66.87	71.52	1 74	41429
Equity Income	6	66.19	66.19xd	70.79	4.50	41430
Portfolio	6	56.24	56.24	60 15	1 70	41431
UK Leading Cos	6	43.23	43 82	46 62	3 14	–
Broker Trusts						
Intnl Equity	6	43 53	43.95	47 00	2.90	–
Sun Life of Canada Unit Mgrs Ltd (1000)H						
Basingview, Basingstoke, Hants					0800 525725	
American Growth	6	24.70	24.70	26.42	0.81	47795
Managed Assets	6	98 84	99 50xd	106.42	3.41	44067
UK Income	6	30.33	30.09xd	32.83	4 66	41432
UK Growth	6	31.02	31 38	33 57	3 47	41433
Worldwide Growth	6	22.39	22 39	23.95	1 35	41434
Sun Life Trust Mngmt Ltd (1200)H						
101, Cannon St, London EC4N 5AD						
Admin & Enq: 071-606 4044			Dealing 071-606 6010			

Continued on next page

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Pearl Assurance (Unit Funds) Ltd

Lynch Wood, Peterborough PE2 6FY 0733 470470

	Bid Price	Offer Price	Yield Gross	City-line
Property Dist. (Gross)	136.2	143.4	–	43235
Property Acc. (Gross)	259.5	273.2	–	43236
Equity (Gross)	856.0	901.0	–	43237
Managed (Gross)	604.6	636.4	–	43238
Property Acc. (Net)	124.0	130.6	–	43239
Equity (Net)	199.1	209.5	–	43240
Adventurous Managed	91.0	95.7	–	41201
Managed (Net)	186.2	196.0	–	43241
Cautious Managed	96.3	101.4	–	41202
International (Net)	159.2	167.5	–	43242
Gilt & Fixed Interest	143.0	150.6	–	43243
Money Fund	140.1	147.5	–	43244
Mixed Fund (Cap)	116.2	122.4	–	46550
Mixed Fund (Acc)	120.7	127.1	–	46548
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	657.2	691.8	–	43245
Ret Man (Series 2)	222.8	234.6	–	43246
Ret Cash	197.6	208.0	–	43247
Pens Mixed Fd (Cap)	128.7	135.5	–	46559
Pens Mixed Fd (Acc)	133.7	140.8	–	46558
Pens Stlg Fd (Cap)	103.7	109.2	–	46561
Pens Stlg Fd (Acc)	107.7	113.4	–	46560

For Pioneer Mutual see Swiss Pioneer

Premium Life Assurance Co Ltd

37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	Yield Gross	City-line
American	131.0	138.0	–	43285
Building Soc. Fd.	223.0	235.0	–	43286
Balanced	265.0	279.0	–	43287
European	207.0	218.0	–	43289
GT Managed	182.0	192.0	–	43290
Gartmore Mngd	119.0	126.0	–	43291
German	134.0	142.0	–	43292
Gilt	177.0	187.0	–	43293
Global	40.0	43.0	–	46834
International Equity	194.0	205.0	–	43295
Japan	159.0	168.0	–	43296
Leisure	48.0	51.0	–	40526
Managed	44.0	47.0	–	43297
Property	292.0	308.0	–	43298
UK Equity	[illegible]	[illegible]	–	[illegible]

Provident Mutual Life Assc. Assn. – Contd.

	Bid Price	Offer Price	Yield Gross	City-line
Pension Funds				
Managed Ord	455.3	479.3	–	43498
Managed Init	331.9	349.4	–	43499
Equity Ord	699.8	736.6	–	43500
Equity Init	510.1	536.9	–	43501
Pen Inxl Lkd Gilt Ord	190.6	200.6	–	43502
Pen Inxl Lkd Gilt Init	145.1	152.7	–	43503
Overseas Equity Ord	289.6	304.8	–	43504
Overseas Equity Init	211.1	222.2	–	43505
Property Ord	280.4	295.2	–	43506
Property Init	204.4	215.2	–	43507
Fixed Interest Ord	294.7	310.2	–	43508
Fixed Interest Init	214.9	226.2	–	43509
Deposit Ord	269.4	283.6	–	43510
Deposit Init	196.4	206.7	–	43511

Prudential Assurance Co

Holborn Bars, London EC1N 2NH 071-405 9222

	Bid Price	Offer Price	Yield Gross	City-line
Prufund				
Managed Jul 8	1254.0	264.6	–	43512

Prudential Corporate Pension Funds

1 Stephen St, London W1P 2AP 071-548 3281

	Bid Price	Offer Price	Yield Gross	City-line
Prudential Managed Funds				
Discretionary Jul 8	£102.56	108.43	–	43539
Equity Jul 8	£210.84	218.07	–	43540
International Jul 8	£25.52	26.23	–	43541
Intl Bond Jul 8	£14.01	14.19	–	43542
Fixed Int Jul 8	£106.60	107.81	–	43543
Index Linked Jul 8	£77.86	78.84	–	43544
Property Jul 8	£109.47	115.53	–	43545
Cash Jul 8	£30.8758	30.8758	–	43546
Pru-Linked Retirement Plan				
Managed Jul 7	438.6	456.9	–	43547
Cash Jul 7	283.5	295.4	–	43548
Prudential Pensions Investment Account				
Pens Mngd Jul 13	176.8	190.2	–	43549
Pens UK Eq Jul 13	313.2	337.7	–	43550
Pens Intl Jul 13	187.5	201.7	–	43551
Pens Global Eqty Jul 13	98.1	103.3	–	40528
Pens Fixed Jul 13	242.7	265.2	–	43552
Pens Index Lk Jul 13	198.9	210.0	–	43553

Scottish Amicable

150 St Vincent St, Glasgow

	Bid Price
Life Funds (First Series)	
Managed	330.3
Equity	424.8
Property	226.0
International	292.8
Japanese	73.8
Asia Pacific	101.8
European	96.2
American	97.6
Fixed Interest	299.7
Index-Linked Gilt	161.1
Cash	209.7
Life Funds (Second Series)	
Managed	91.5
Equity	90.9
Property	94.5
International	90.1
Japanese	79.7
Asia Pacific	99.4
European	95.0
American	95.0
Fixed Interest	112.1
Index-Linked Gilt	102.6
Cash	103.5
Pension Funds	
Building Society	162.9
Managed (Init)	194.1
Managed (Acc)	363.6
Equity (Init)	226.5
Equity (Acc)	424.5
Property (Init)	149.9
Property (Acc)	280.3
International (Init)	169.9
International (Acc)	318.4
Fixed Interest (Init)	201.4
Fixed Interest (Acc)	377.8
Cash (Init)	152.9
Cash (Acc)	286.7

Scottish Equitable Life

28 St Andrew Sq, Edinburgh

Sarasin Funds Mngmt (Guernsey) Ltd

PO Box 246, St Peter Port, Guernsey 0481 723021

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Eurosar £ r(20-1)	5	£–	20.45	21.83	–	47526
(Accum Units) r(20-1)	5	£–	20.58	21.95	–	47750
Eurosar SFr r(20-1)	5	SFr–	52.99	56.54	–	47527
(Accum Units) r(20-1)	5	SFr–	53.31	56.87	–	47751
GlobalSar-Fergus £	5	£–	13.92	14.80	–	45531
(Accum Units)	5	£–	14.48	15.39	–	44095
GlobalSar-Fergus US$	5	$–	26.77	28.46	–	44059
(Accum Units)	5	$–	27.84	29.58	–	45019
GlobalSar-Fergus SFr	5	SFr–	36.07	38.34	–	43808
(Accum Units)	5	SFr–	37.50	39.86	–	45012

Schroder Investment Mngmt (Guernsey) Ltd

PO Box 255, St Peter Port, Guernsey 0481 710651

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
European Bd $	3	$11.3487	11.3487	11.7436	8.53	44471
European Bond £	3	£5.9030	5.9030	6.1085	8.53	47697

Fidelity Money Funds – Contd.

Prices for dealing July 7

Lloyd George Management

GUERNSEY (REGULATED)(**)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

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Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Gartmore Fund Managers (IoM)						
PO Box 32, Douglas IoM 0624 627610						
Intl Grth	5¼	466.2	466.2xd	499.81	0.91	45095
Leopold Joseph Fund Mngrs (IoM) Ltd						
PO Box 52 Athol St Douglas IoM 0624 661020						
LJ International	5¼	89.44	89.44	96.14	–	46804
Mercury Fund Managers IoM Ltd						
11 Hill Street, Douglas IoM 0624 662255						
Merc IoM Fund	5	101.3	101.3	108.1	6.2	45970
Merc Intl Bond	5	50.71	50.71	53.31	8.6	45971
Sun Life Management (IoM) Ltd						
PO Box 178 Douglas IoM 0624 622444						
Secure High Income	6	£1.0566	1.0566	1.1329	17.94	47486
Unibank Scandinavian Fund Ltd						
23 Bucks Road, Douglas, IoM 06246 26484						
Scandinavia Fd	5	–	132.38xd	141.12	1.0	45223

ISLE OF MAN (REGULATED)(**)

	Bid Price	Offer Price	Yield Gross	City-line
ATC Fund Management (SG) Ltd				
SG International	$10.89		–	45889
Appleton Financial Advisors Ltd				
Appleton Capital Trust	95.0	100.01	–	–
CMT Fund Mngrs (IOM)				
Traders Fund Ltd N	$17.16	18.55	–	46369
*Dealings Wednesday				
City Financial Admin (IoM) Ltd				
Beckman Bond & Warrants	0.49	0.57	0.00	47332

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Equitilink International Mngt Ltd						
First Aust Prime Inc Inv Co Ltd NAV July 9 C$13.09xd						
First Aust Prime Inc Inv Co Ltd NAV July 9 US$10.47xd						
NAV Diluted to reflect exercise of all Wrts C$12.78xd US$10.71xd						
Fidelity Investment (CI) Ltd						
Sterling American			£2.468	2.598	–	49979
Fleming Group						
Robert Fleming Management (Jersey) Ltd						
Deutschland Inv Co NAV			DM16.53		–	45896
Foreign & Colonial Mngt (Jersey) Ltd						
Hypo Foreign & Colonial Reserve Asset Fd Ltd						
US$ Cash			$10.75		–	45005
Sterling Cash			£12.06		–	45007
US$ Bonds			$15.18		–	45008
Multicurrency Bonds			$20.57		–	45009
Sterling Bonds			£13.49		–	45010
D Mark Bonds			DM10.60		–	45011
Ecu Bonds			Ecu11.67		–	45013
UK Equities			£10.14		–	45014
US Equities			$26.44		–	45015
Japanese Equities			Y586		–	45016
Contl Euro Equities			DM16.89		–	45017
UK Negative Equities			£12.85		–	–
US Negative Eq			$10.13		–	–
Japanese Negative Eq			Y1058		–	–
Cont Eur Negative Eqs			DM–		–	–
UK Geared Equities			£–		–	–
US Geared Equities			$10.23		–	–
Japanese Geared Eqs			Y–		–	–
Contl Euro Geared Eqs			DM–		–	–
John Govett Management (Jersey) Ltd						
Hldgs in Euro Co NAV July 9			$10.34		–	47997
Thornton Fd NAV Jul 10			$8.76		–	47863
Paragon Fd NAV Jun 30			$10.54		–	47955
Paragon Redemption			$9.91		–	47106

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES AND MONEY MARKETS

Will they tighten?

AFTER one of the most turbulent week's on the foreign exchange markets this year, dealers are focused on one issue: whether the Bundesbank will tighten monetary policy at its council meeting on Thursday, *writes James Blitz.*

UK clearing bank base lending rate
10 per cent
from May 5, 1992

There are strong indications of a feverish behind-the scenes debate among Bundesbank members over the issue, and *every chance that a tightening* will take place. Those council members in favour will argue that M3 money supply now shows annual growth of around 9 per cent against an annual target range of 3.5 to 5.5 per cent.

What will the Bundesbank do? Mr Gerard Lyons, chief economist at DKB International says the Germans are unlikely to alter the M3 target for fear of losing credibility. He believes that there is some chance that the Bundesbank will impose limits on the amounts of funds that could be borrowed by banks at the Lombard rate. "But there is a danger that such action could result in higher money market rates and eventually force the Lombard rate to rise."

But Mr Mark Cliffe, chief economist at the Nomura research institute in London, says that a rate rise could exacerbate the growing money supply. "If events follow a similar course to the last two rate hikes and long yields fall," he says, "the effect on long term credit demand could actually be expansionary. Moreover, the effect on long term capital formation will be contractionary, with short term investments becoming even more attractive."

Of course, that argument was made in reverse to explain why the Federal Reserve would not dare to cut its discount rate. Ten days ago it did. The market will have to sit this one out until Thursday afternoon.

£ IN NEW YORK

July 10	Close	Previous Close
£ Spot	1.9220-1.9230	1.8995-1.9005
1 month	1.08-1.07pm	1.07-1.06pm
3 months	3.11-3.09pm	3.09-3.06pm
12 months	10.65-10.55	10.50-10.42

Forward premiums and discounts apply to the US dollar

CURRENCY MOVEMENTS

Jul 10	Bank of England Index	Morgan** Guaranty Changes %
Sterling	92.8	-19.5
U.S Dollar	60.5	-17.7
Canadian Dollar	98.7	-2.8

Morgan Guaranty changes: average 1980-1982 = 100. Bank of England Index (Base Average 1985 = 100).

STERLING INDEX

OTHER CURRENCIES

CURRENCY RATES

CHICAGO

Previous day's open int: Calls 271,113 Puts 570,945 (All currencies)
Previous day's volume: Calls 34,178 Puts 42,945 (All currencies)

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EXCHANGE CROSS RATES

EURO-CURRENCY INTEREST RATES

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

under one month 6½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 8½ per cent; nine-twelve months 8½ per cent; Under £100,000 7 per cent from May 6, 1992. Deposits withdrawn for cash 5 per cent.

LONDON RECENT ISSUES

FIXED INTEREST STOCKS

RIGHTS OFFERS

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

FINANCIAL TIMES STOCK INDICES

	July 10	July 9	July 8	July 7	July 6	July 3	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs.	89.68	89.72	89.62	89.64	89.72	89.75	89.75	85.11	127.4	49.18
Fixed Interest	106.22	106.15	106.10	106.32	106.35	106.26	106.35	97.15	106.35	50.53
Ordinary	1903.7	1913.9	1891.1	1906.2	1891.0	1915.5	2149.7	1851.4	2149.7	49.4
Gold Mines	84.0	83.6	83.6	86.6	89.5	90.1	160.6	83.6	734.7	43.5
FT Act All-Share	1195.10	1198.25	1189.35	1199.87	1190.41	1204.25	1326.36	987.46	1326.36	61.92
FT-SE 100	2490.8	2497.9	2472.6	2493.7	2469.0	2497.1	2737.8	2382.7	2737.8	986.9
FT-SE Eurotrack 100	1129.14	1128.17	1121.53	1129.83	1134.09	1142.19	1199.58	1078.19	1199.58	900.45
FT-SE Eurotrack 200	1158.17	1158.82	1148.89	1157.81	1156.32	1168.36	1248.79	1120.52	1248.79	938.62

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	Wk % change	Amnt £m	Interest due	Last xd	City line
"Shorts" (Lives up to Five Years)							
Exch 12¼pc 1992		100 3/32	—	1,350	Fe25 Au25	28.1	1265
13½pc 1992		100⅝	-1	1,757	Mr22 Se22	14.2	1266
Treas 8¼pc 1993		99 11/32	—	900	Au18 Fe18	13.1	5047
10pc 1993‡‡		100⅞	-.1	1,850	Oc15 Ap15	9.3	1279
12½pc 1993‡‡		102 23/32	-.1	1,100	Ja14 Jy14	8.6	1296
Funding 6pc 1993‡‡		97¼	-.1	600	Mr15 Se15	7.2	1276
Treas 13¾pc 1993‡‡		106 5/16	-.2	1,085	My23 Nv23	18.4	1304
8½pc 1994		99xd	-.2	2,100	Au3 Fe3	29.6	4871
14½pc 1994‡‡		107 31/32	-.3	550	Se1 Mr1	24.1	1307
Exch 13½pc 1994		106 23/32	-.3	1,100	Oc27 Ap27	23.3	1267
Treas. 10pc Ln. 1994‡‡		101 5/16	-.3	1,900	De9 Je9	5.5	1284
Exch 12½pc 1994		105	-.2	1,240	Fe22 Au22	16.1	1263
Treas 9pc 1994‡‡		99⅝	-.3	1,900	My17 Nv17	10.4	1345
12pc 1995		105 5/16xd	-.4	2,350	Jy25 Ja25	18.6	1294
Exch 3pc Gas 90-95		93¾	-.1	214	Nv1 My1	23.3	1271
10¼pc 1995		102¼	-.4	2,400	Ja21 Jy21	15.6	1254
Treas 12¾pc 1995‡‡		110 1/16	-.3	840	My15 Nv15	8.4	1298
14pc 1996		113 15/32	-.3	770	Jy22 Ja22	16.6	1305
9pc 1992-96‡‡		99⅞	-.3	750	Se15 Mr15	7.2	1344
15¼pc 1996‡‡		118 5/16	-.3	1,150	Nv3 My3	27.3	1309
Exch 13¼pc 1996‡‡		112 23/32	-.3	800	Nv15 My15	8.4	1268
Conversion 10pc 1996		103 5/16	-.2	3,400	My15 Nv15	8.4	1240
Treas 13¼pc 1997‡‡		114 13/32	-.2	1,290	Jy22 Ja22	15.6	1302
Exch 10½pc 1997		105 5/16	-.2	3,700	Au21 Fe21	18.1	1253
Five to Fifteen Years							
Treas 8¾pc 1997‡‡		98 23/32	-.1	3,600	Mr1 Se1	24.1	1341
8¾pc 1997 D		98 11/32	-.1	1,800	Mr1 Se1	-	-
Exch 15pc 1997		122 23/32	-.2	830	Ap27 Oc27	23.3	1269
9¾pc 1998		103	-.2	3,250	Jy19 Ja19	12.6	1273
Treas 6¾pc 1995-98‡‡		92 7/16	-.1	1,100	Mr1 My1	25.3	1331
15½pc '98‡‡		123¾	-.1	935	Mr30 Se30	24.2	1308
Exch 12pc 1998		113¾	-.1	3,900	My20 Nv20	18.4	1259
Treas 9½pc 1999‡‡		103 5/16	-.1	1,900	Jy15 Ja15	8.6	1347
Exch 12¼pc 1999		115⅛	-.2	3,050	Se26 Mr26	18.2	1264

BRITISH FUNDS - Cont.

	Notes	Price £	Wk % change	Amnt £m	Interest due	Last xd	City line
Treas 10½pc 1999		107 11/32	-.1	1,252	Nv19 My19	18.4	1288
Conversion 10¼pc 1999		106⅝	-.1	1,898	My22 Nv22	15.4	1242
9pc 2000‡‡		100½	-.1	3,158	Se3 Mr3	27.1	1244
9% 2000 C		100 11/32	—	1,800	Mr3 Se3	-	-
Treas 13pc 2000		120 23/32	-.1	2,171	Ja14 Jy14	8.6	1299
10pc 2001		105¾	-.2	4,100	Au26 Fe26	28.1	1280
14pc '98-01		126⅝	-.1	979	Nv22 My22	13.4	1306
9¾pc 2002		105	—	3,727	Fe27 Au27	21.1	1349
9¾p 2002 C		105	—	1,800	Fe27 Au27	-	-
10pc 2003		107 5/16	-.2	1,709	Mr8 Se8	31.7	1281
10pc 2003 B		107 5/16	-.2	800	Mr8 Se8	-	-
Treas 11½pc 2001-04		113 5/16	-.2	1,629	Se19 Mr19	11.2	1290
Funding 3½pc '99-04		80 11/16	0.7	443	Ja14 Jy14	8.6	1274
Conversion 9½pc 2004		104 11/32	—	3,012	Ap25 Oc25	19.3	1246
9½pc 2005		104 7/16	—	4,442	Oc18 Ap18	12.3	1247
Treas 12½pc 2003-05		123 13/16	—	2,200	My21 Nv21	14.4	1295
8pc 2002-06‡‡		92¼	-.1	1,800	Ap5 Oc5	2.3	1334
Over Fifteen Years							
Treas 11¾pc 2003-07		117 23/32	-.1	3,150	Jy22 Ja22	15.6	1293
Treas 8½pc 2007‡‡		97 5/32xd	-.1	1,897	Ja16 Jy16	9.6	1339
8½pc 2007 A		95 5/16xd	—	1,000	Ja16 Jy16	9.6	-
13½pc '04-08		131 5/16	—	1,250	Se26 Mr26	18.2	1301
9pc 2008‡‡		101 13/32	—	4,871	Ap13 Oc13	9.3	1343
8pc 2009		93 3/32	0.1	1,200	Mr25 Se25	17.2	1336
Conv 9pc Ln 2011‡‡		102 5/16	0.1	1,423	Ja12 Jy12	5.6	1245
9pc 2011 B		99 13/32	—	1,500	Jy12 Ja12	5.6	-
Treas. 9pc 2012		102 13/32xd	0.2	1,500	Fe6 Au6	30.6	-
9pc 2012 A		37⅞	0.7	2,750	Fe25 Au25		-
Treas 5½pc 2008-12‡‡		78¼	0.4	1,000	Mr10 Se10	3.2	1330
7¾pc 2012-15‡‡		90 11/32xd	0.3	700	Jy26 Ja26	19.6	1332
Exch 12pc '13-'17		130 11/32	-.1	1,000	Je12 De12	6.6	1260
Treas 8¾pc 2017		100 13/32	0.2	2,500	Fe25 Au25	-	-
Undated							
Consols 4pc		43 13/32xd	-.5	359	Fe1 Au1	25.6	1239
War Loan 3½pc‡‡		39⅞	0.5	1,909	Je1 De1	27.4	1352

BRITISH FUNDS - Cont.

	Notes	Price £	Wk % change	Amnt £m	Interest due	Last xd	City line
Conv 3½pc '61 Aft		82 5/16	-.4	127	Ap1 Oc1	24.2	1243
Treas 3pc '66 Aft		32 5/16	0.4	58	Ap5 Oc5	2.3	1324
Consols 2½pc		27 13/32	-.8	276	5JaApJyOc	1.6	1235
Treas. 2½pc		27 5/32	-.6	476	Ap1 Oc1	24.2	1315
Index - Linked (b)							
Treas. 2pc '94	(102.9)	127 5/16	—	500	Nv16 My16	9.4	5070
2pc '96	(67.9)	184 5/16	—	1,100	Mr16 Se16	18.2	1351
2½pc '01	(78.3)	148 5/16	-.1	1,198	Mr24 Se24	17.2	1316
2½pc '03	(78.8)	144¼	-.1	800	Nv20 My20	13.4	1317
2pc '06	(69.5)	147	—	1,800	Ja19 Jy19	12.6	1318
2½pc '09	(78.8)	134 5/16	—	1,100	Nv20 My20	13.6	1319
2½pc '11	(74.6)	138 5/16	—	1,550	Fe23 Au23	17.1	1320
2½pc '13	(89.2)	114⅛xd	-.1	1,850	Fe16 Au16	10.7	1321
2½pc '16	(81.6)	121 13/32xd	—	1,800	Ja26 Jy26	19.6	1322
2½pc '20	(83.0)	117 5/16	—	1,598	Oc16 Ap16	10.5	1323
2½pc '24‡‡	(97.7)	97 5/16	—	900	Ja17 Jy17	18.6	1325
4⅛pc '30‡‡	(135.1)	99⅝	-.1	500	Jy22 Ja16		

(b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for December 1991: 135.7 and for June 1992: 139.3

OTHER FIXED INTEREST

	Notes	Price £	Wk % change	Amnt £m	Interest due	Last xd	City line
African Dev 11⅛ 2010		115 11/16	0.2	50	Ja4 Jy4	1.12	-
Asian Dev 10¼pc 2009		109 5/16	-	100	Mr24 Se24	28.3	-
B'ham 11½pc 2012		113	-.4	45	My15 Nv15	17.4	1837
Ireland Cap 8½pc '10		98¼	1.0	384	Ap1 Oc1	-	1465
9pc Cap 1996		92	1.1	725	Ja30 Jy30	-	-
13pc '97-02		104½	0.2	315	Ap1 Oc1	28.8	1428
Hydro Quebec 15pc 2011		141⅞	-.1	40	My31 Nv31	27.10	-
Leeds 13½pc 2006		124¼	-.2	40	Ap1 Oc1	12.3	3146
Liverpool 3½pc Irred		32¾	—	5	1JaApJeOc	1.6	3169
LCC 3pc '20 Aft		30	-.8	26	1MrJeSeDe	1.8	-
Manchester 11½pc 2007		111	-.2	7	Ap25 Oc25	30.3	3275
Met. Wtr. 3pc 'B'		66½	—	25	Mr1 Se1	1.8	3361
N'wide Anglia 3⅞pc 2021		118½	-.2	60	Ja30 Jy30	6.1	3465
4¼pc IL 2024		118	-.2	58	Fe23 Ap23	27.1	-
Utd Mex States 16½pc 2008		124	—	50	Mr1 Se1	17.2	-

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	FRIDAY JULY 10 1992: US Dollar Index	% chg ($) since 31/12/91	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/91	Gross Div. Yield	THURSDAY JULY 9 1992: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1992 High	1992 Low	Year ago (approx)
Australia (69)	145.60	-3.5	112.34	115.41	113.20	129.86	-1.6	4.20	145.28	113.57	115.39	114.73	129.77	153.68	140.94	142.68
Austria (19)	166.79	+0.2	128.69	132.22	129.68	130.49	-0.5	2.24	168.09	131.41	133.51	132.75	131.63	186.70	162.48	175.75
Belgium (42)	149.16	+3.3	115.09	118.22	115.97	113.29	+1.8	5.43	146.24	114.33	116.15	115.49	112.52	149.16	135.87	126.64
Canada (115)	128.66	-5.6	99.27	101.98	100.03	111.01	-2.7	3.20	128.09	100.13	101.73	101.16	110.65	142.12	124.32	138.93
Denmark (35)	244.22	-8.6	188.44	193.59	189.88	191.49	-10.8	1.83	240.58	188.07	191.08	189.99	190.27	273.94	226.81	246.93
Finland (15)	78.88	+1.1	60.86	62.53	61.33	67.98	+0.4	2.08	78.18	61.11	62.10	61.74	67.58	89.80	73.64	94.34
France (104)	163.16	+8.5	125.89	129.32	126.85	129.18	+5.6	3.62	160.80	125.71	127.71	126.98	129.21	168.75	148.06	126.64
Germany (65)	128.99	+9.9	99.53	102.26	100.29	100.29	+8.4	2.30	127.10	99.36	100.97	100.37	100.37	129.32	114.67	106.72
Hong Kong (55)	252.27	+43.0	194.65	199.97	196.15	250.54	+42.2	3.28	250.18	195.58	198.70	197.58	248.46	259.55	176.36	163.50
Ireland (16)	158.62	-5.5	122.38	125.73	123.32	125.42	-7.3	4.33	155.20	121.33	123.27	122.56	124.00	173.71	151.78	140.46
Italy (78)	68.50	-9.1	52.85	54.30	53.26	57.91	-10.4	3.61	66.03	51.62	52.44	52.14	56.66	80.86	66.03	72.52
Japan (473)	100.47	-28.0	77.52	79.64	78.13	79.64	-25.8	1.07	100.39	78.48	79.73	79.29	79.73	140.95	88.70	128.86
Malaysia (69)	247.87	+15.7	191.25	196.47	192.71	238.80	+6.4	2.62	244.46	191.10	194.15	193.05	235.32	250.18	212.49	225.92
Mexico (18)	1394.63	+0.2	1076.07	1105.48	1084.33	4732.26	+2.3	1.27	1385.96	1083.47	1100.80	1094.53	4718.75	1789.77	1355.22	1082.84
Netherland (25)	165.62	+8.5	127.79	131.29	128.78	127.49	+7.1	4.40	163.35	127.70	129.74	129.00	127.56	165.62	147.88	132.96
New Zealand (14)	47.19	+0.4	36.41	37.41	36.69	45.88	-0.6	4.95	47.62	37.22	37.82	37.60	46.35	48.52	42.01	48.14
Norway (23)	173.53	-2.9	133.89	137.56	134.92	138.91	-4.0	1.82	169.17	132.25	134.37	133.60	136.05	192.95	161.26	193.12
Singapore (38)	220.89	+0.5	170.43	175.09	171.74	164.49	+0.3	2.02	220.83	172.63	175.40	174.39	164.30	229.63	192.76	191.84
South Africa (61)	203.93	-18.1	157.35	161.65	158.56	174.98	+1.1	2.95	197.04	154.03	156.49	155.60	173.48	263.60	197.04	253.76
Spain (49)	151.41	-3.2	116.83	120.02	117.72	109.31	-4.6	5.37	150.46	117.62	119.50	118.82	109.65	161.72	146.86	142.02
Sweden (29)	195.27	+7.8	150.67	154.79	151.83	156.53	+5.3	2.60	190.04	148.57	150.95	150.09	154.60	200.28	173.08	191.87
Switzerland (63)	112.33	+11.9	86.67	89.05	87.35	94.43	+12.0	2.27	109.96	85.96	87.34	86.85	93.86	113.51	95.99	90.82
United Kingdom (227)	190.88	+3.0	147.28	151.29	148.39	147.28	+0.3	5.03	188.91	147.68	150.03	149.17	147.68	200.07	165.85	164.21
USA (522)	168.79	-0.6	130.23	133.80	131.24	168.79	-0.6	2.96	168.62	131.82	133.93	133.17	168.62	171.66	160.92	153.94
Europe (790)	154.25	+4.4	119.02	122.27	119.94	120.19	+2.3	4.02	152.05	118.87	120.77	120.08	120.09	156.88	139.31	132.03
Nordic (102)	180.96	-1.5	139.62	143.44	140.70	138.65	-3.6	2.27	176.92	138.31	140.52	139.72	137.14	188.52	169.66	184.77
Pacific Basin (718)	107.11	-21.9	82.64	84.91	83.28	86.20	-21.5	1.44	106.94	83.60	84.94	84.46	86.22	141.97	94.40	130.12
Euro-Pacific (1508)	126.17	-10.9	97.35	100.01	98.10	100.25	-11.8	2.70	125.19	97.87	99.42	98.86	100.22	145.21	113.80	131.20
North America (637)	166.27	-0.9	128.29	131.81	129.30	164.86	-0.7	2.97	166.07	129.83	131.92	131.17	164.67	169.69	158.70	152.93
Europe Ex. UK (563)	132.00	+5.5	101.85	104.65	102.65	104.43	+3.8	3.30	129.74	101.42	103.07	102.48	104.08	132.30	121.81	112.61
Pacific Ex. Japan (245)	172.47	+15.0	133.08	136.73	134.11	153.87	+14.3	3.48	171.51	134.08	136.25	135.46	153.07	175.31	149.00	142.46
World Ex. US (1702)	127.87	-10.8	98.66	101.37	99.42	102.56	-11.1	2.71	126.83	99.15	100.74	100.16	102.50	146.91	116.45	133.33
World Ex. UK (1997)	135.96	-8.1	104.91	107.78	105.72	120.43	-7.9	2.53	135.33	105.80	107.50	106.89	120.29	150.56	127.21	136.88
World Ex. So. Af. (2163)	140.33	-6.8	108.28	111.26	109.12	122.44	-7.2	2.81	139.63	109.16	110.92	110.28	122.35	153.05	130.04	138.51
World Ex. Japan (1751)	163.21	+1.5	125.93	129.38	126.91	147.84	+1.1	3.37	162.11	126.73	128.77	128.04	147.64	165.40	153.20	146.12
The World Index (2224)	140.70	-7.0	108.56	111.53	109.40	122.92	-7.1	2.81	139.96	109.41	111.17	110.54	122.63	153.70	130.66	139.26

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).
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Constituent changes during the week ending 10/7/92: Additions: Esselte A (Sweden) and Praxair (USA). Deletions: Ercros (Spain), Leu Holdings (Reg.) (Switzerland) and Sea Containers (USA). *Constituent changes with effect from 14/7/92: HSBC Hldgs. will be deleted from Hong Kong and Midland Bank* removed from the UK. HSBC Hldgs. Ord.75p and HSBC Hldgs. HK$ 10 will be inserted into the UK.

BASE LENDING RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	Wk% change	Div gross	Dividends paid	Last xd	City line
Abbott Labs	h	15⅞ xd	-1.2	80c	FeMyAuNv	10.7	1503
♥Allegheny & W.		272p	1.5	30c	–	–	–
Amdahl		929p	1.0	10c	NvMrJeAg	31.1	–
Amer Cyanamid		39½	3.4	$1.65	MrJeSeDe	4.9	–
Amer Express		12½ xd	0.8	$1.00	FeMyAuNv	29.6	1594
Amer T & T		23xd	0.6	$1.32	FeMyAuNv	27.3	1597
Ameritech		34⅝	4.1	$3.52	FeMyAuNv	28.3	–
BankAmerica		22¼ xd	-7.4	$1.30	FeJeSeDe	19.5	1744
Bankers NY		31⅞ xd	0.2	$2.80	ApJyOcJa	27.12	1745
Bell Atlantic		24¼	3.2	$2.60	FeMyAuNv	4.7	–
BellSouth		27⅜	5.3	$2.76	FeMyAuNv	5.4	–
♥Bethlehem Steel		7½ xd	-4.0	–	MrJeSeDe	6.2	1821
Bowater		1034pxd	-6.1	$1.20	DeJaApJy	9.3	1884
CPC	h	25⅛ xd	2.8	$1.28	JaApJyOc	26.6	2263
♥Cadiz Land Inc		186p	-14.0	–	–	–	–
California Engy.		626p	—	–	–	–	–
Campbell Soup		19¾ xd	4.3	76c	DcJaApAu	2.7	2050
Chase Manhattan		14⅞ xd	—	$1.20	FeMyAuNv	24.4	2109
Chrysler		19 7/16 xd	1.6	60c	ApJyOcDe	17.6	2135
Citicorp		16⅞ xd	-2.2	–	–	23.10	2141
Colgate-Palm		27½ xd	-2	$1.24	FeMyAuNv	22.4	2184
Cont'l Bank		1021p	3.5	60c	DeMrJeSe	31.5	–
Dana		21½ xd	-2.8	$1.60	MrJeSeDe	28.5	2306
Data General		406p	2.0	–	–	–	–
♥Decora Inds		104p	-1.0	–	–	–	–
Dun & Brad		29⅝	—	$2.28	MrJeSeDe	13.2	–
Eaton		39½	-9	$2.20	FeMyAuNv	2.2	2410
Echlin		9 13/16 xd	-1.9	70c	JaApJyOc	30.6	3046
FPL		19¼ xd	3.7	$2.44	MrJeSeDe	28.5	–
Fluor		20	-1.5	40c	JaApJyOc	18.6	2609
Ford Motor		23¼	3.6	$1.60	MrJeSeDe	29.4	2615
Gen Elect		46¾ xd	1.2	$2.20	JaApJyOc	3.6	2675
♥General Host		435p	-2.0	34c	–	19.12	–
Gillette		25⅝ xd	2.0	72c	MrJeSeDe	29.1	2695
Hasbro		14½	-4.9	20c	JaApJyOc	1.8	–
Honeywell		34⅜ xd	-2.5	$1.85	MrJeSeDe	26.5	2919
Houston Inds		23¼	—	$3.00	MrJeSeDe	10.11	–
IBM		51¼ xd	1.2	$4.84	MrJeSeDe	8.5	2986
Ingersoll-Rand	h	14	-.4	68c	MrJeSeDe	14.5	2979
Lockheed		23	—	$2.12	MrJeSeDe	15.2	–
Lowe's	b	1040p	0.2	28c	JaApJyOc	11.7	–
Merrill Lynch		26 13/16 xd	-2	$1.00	FeMyAuNv	30.4	3351
Morgan (JP)		31½	3.7	$2.16	JaApJyOc	17.6	3418
Morris (Philip)		41⅜ xd	3.1	$2.10	JaApJyOc	10.6	5161
NYNEX		42½	2.4	$4.64	FeMyAuNv	27.6	4740
For Pacific Agricultural see Cadiz Land Inc							
Pall		13⅞	1.6	38c	FeMyAuNv	24.1	–
Pennzoil		23¾ xd	1.3	$3.00	MrJeSeDe	26.5	3630
Quaker Oats		30⅜ xd	—	$1.72	JyOcJaAp	23.6	3738
Rockwell		12 1/16	0.5	92c	MrJeSeDe	13.5	3847
Rep NY		21 7/16 xd	-3	$1.00	JaApJySe	10.6	3814
Sears, Roebuck		28⅜ xd	-1.2	$2.00	JaApJyOc	26.5	5191
Sthwestern Bell		33½	1.9	$2.92	MyAuNvFe	4.7	–
Sun Co		13 7/16 xd	1.6	$1.80	MrJeSeDe	5.5	4135
Tenneco		18 13/16 xd	0.3	$1.60	MrJeSeDe	20.5	–
Texaco		33⅛ xd	0.6	$3.20	MrJeSeDe	29.4	4200
Time Warner		58⅝ xd	-1.3	$1.00	MrJeSeDe	26.6	4234
♥Unitab		350p	-1.4	–	–	–	–
Utd Tech		26 7/16 xd	-2.1	$1.80	MrJeSeDe	19.5	4381
For Utiltech see Decora Inds.							
♣URS Intl. Ic.		0¼p	—	–	–	–	4364
US West		28⅛	4.5	$2.12	FbMyAuNv	14.4	–
Vanty		890p	1.0	–	–	1177	–
Waste Manage		17 13/16 xd	—	44c	ApJyOcJa	12.6	4439
Whirlpool		1998pxd	0.9	$1.10	MrJeSeDe	4.3	–
♥Woolworth		14	-3.0	$1.12	MrJeSeDe	28.1	4540

CANADIANS

	Notes	Price £	Wk% change	Div gross	Dividends paid	Last xd	City line
♥Abbot Energy		1¼p	—	–	–	–	–
Amer Barrick		1477p	0.6	8c	Jun Dec	–	–
Bk Montreal		21 1/16	4.7	$2.12	FbMyAuNv	2.8	1029
Bk Nova Scot		1612p	6.4	$1.04	JaApJeOc	30.6	1017
♥BC Gas		707p	2.5	60c	FeMyAuNv	30.12	–
BCE		20	2.6	$2.60	ApJyOcJa	12.6	–
♥Brascan		720p	1.1	$1.04	JaApJyOc	28.10	–
♥Breakwater		21p	-4.5	10c	–	–	–
Can Imp Bk		1254p	3.0	$1.32	FeApAuNv	29.6	1037
Can Pacific		779p	-1.1	32c	JaApJyOc	28.12	–
4pc Deb		30	—	04%	Jan Jul	22.5	–
♥Derlan		239p	—	28c	MrJeSeDe	3.6	–
♥Echo Bay		332p	—	7.5c	Jun Dec	–	1070
♥ECO		18½p	-15.4	–	–	–	–
♥Gulf Can		247pxd	-1.2	–	–	4.3	–
♥Hawker Sid		10½	—	$1.06	ApJyOcJa	16.11	–
♥Hudson's Bay		1221p	-2	80c	MrJeSeDe	2.10	–
♥Imperial Oil		19½ xd	1.3	$1.49	MrJeSeDe	4.3	–
Inco		18⅛ xd	—	$1.00	JaApJeOc	4.3	–
♥Int Corona		317p	—	10c	May	5'89	–
♥Muscocho		2½p	25.0	–	–	–	–
♥N A Tire Recycling		60p	-3.6	–	–	–	–
Nova Corp Alberta		374pxd	0.8	24c	FeMyAuNv	5.5	4215
♥Rio Algom		711p	0.6	60c	Jun Dec	18.4	–
Royal Bk Can		1122p	5.4	$1.16	MrJeSeDe	18.7	1180
♥TVX Gold		149p	0.7	–	–	–	–
Toronto-Dom		828p	3.6	64c	FeMyAuNv	29.3	1207
♥Trans Can Pipe		781p	2.0	76c	JaApJyOc	1.12	–

BANKS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividend paid	Last xd	City line
ABN Amro Fl		£18⅝	2.3	Q68%	♦	Aug May	27.8	1567
ANZ AS	g	150	-3.8	Q28c	1.5	Jan Jul	12.6	1698
■Abbey National		278	-2.1	10.5	3.0	May Oct	9.3	5411
■Allied Irish I£		168	1.3	Q44%	♦	Dec Jul	1.6	1364
■Anglo Irish I£	fg	35	-12.5	17.9%	2.2	Jan Jul	1.6	1355
Banco Bilbao Pta		£14 1/16	-2	Q49.1%	2.7	Dec Jun	10.4	–
Banco de San Pta		£24 13/16	-7	Q32%	2.7	Apr Oct	30.4	–
■Bk Ireland I£	g	149	-7	Q8.3%	0.7	Jul Dec	1.6	1380
Bank Leumi (UK)		230	—	18.0	–	Apr Sep	9.3	1740
■Bank Scotland		113	0.9	4.36	1.4	Dec Jul	11.5	1742
9¼pc Pf		117¼	0.4	9¼%	–	May Nov	27.4	1462

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MEDIA - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

Tins

♥Ayer Hitam M$	34	—	Q17½c	—	Oct	9.3	1714
Gopeng M$	87	—	Q5c	♦	Aug	29.4	2725
Malaysia Mine M$	39	—	Q12c	♦	Dec Sep	28.10	3272
Petaling M$	105	—	Q10c	1.7	Mar	24.2	3644

Miscellaneous

Anglesey	8	—	—	—	—	—	5188
‡‡Andaman Res I£	27	—	—	—	—	—	—
Anglo-Dominion	5	—	—	—	—	—	—
■‡‡Burmin Expl I£	9	—	—	—	—	—	1363
■Butte	2	—	—	—	—	—	2024
♥Caledonia Min	14½	—	—	—	—	—	—
♥Cape Range	12½	-3.8	—	—	—	—	—
Cons Murch R	20	-4.8	—	—	—	—	2218
■‡Ennex Intl I£	5¾	-4.2	—	—	—	—	1416
■Europa Mins	3½	—	—	—	—	—	3427
‡‡Feltrim I£	3½#	—	—	—	—		—
Geevor	4¾#	—	—	—	—	6.85	2870
‡‡Glencar Expl I£	7	7.7	—	—	—	—	—
■Greenwich Res	5¼	-4.5	—	—	—	—	2773
Hemlo Gold C$	£4⅜	6.1	Q20c	—	Dec Jan	9.11	—
Homestake $	£7	-3.4	Q20c	—	FeJuAuNv	14.5	2916
■‡‡Ivernia West I£	33	-10.8	—	—	—	—	—
■‡‡Kells Mins I£	20	-9.1	—	—	—	—	3741
■‡Kenmare	3½	-6.7	—	—	—	—	1453
Meltinga Res	33	-10.8	—	—	—	—	—
‡‡Navan Res I£	23	—	—	—	—	—	1185
North West Expl A$	3	—	—	—	—	—	—
Oryx Gold $	69	—	—		—	—	3686
Plateau	4	-33.3	—	—	—	—	3407
■RTZ	563	-6.8	19.5	1.7	Dec Jul	23.3	3860
‡Vizcaya	1¾	—	—	—	—	—	4193
♥Western & Pac C$	15½	63.2	—	—	—	—	—
‡Young Grp	28	—	2.8	2.5	Oct	9.90	5080

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless *otherwise indicated*.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution: this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend.
b Figures based on prospectus or other offical estimates.
c Cents.
f Flat yield.
g Assumed dividend.
h Assumed dividend after scrip issue.
m Interim higher than previous total.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend excludes a special payment.
t Indicated dividend: cover relates to previous dividend.
u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings.
v Subject to local tax.
z Dividend includes a special payment. Cover does not apply to special payment.
E Auction basis
F Dividend based on prospectus or other offical estimates for 1990-91
G Assumed dividend after pending scrip and/or rights issue.
H Dividend based on prospectus or other offical estimates for 1991.
K Dividend based on prospectus or other *offical estimates for* 1992-93
L Estimated annualised dividend, cover based on latest annual earnings.
M Dividend based on prospectus or other offical estimates for 1991-92.
N Dividend based on prospectus or other offical estimates for 1992.
P Figures based on prospectus or other offical estimates for 1991
Q Gross.
R Forecast annualised dividend, cover based on prospectus or other offical estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend total to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service.

Additions: Hong Kong Zero Div Prf (Section: Investment Trusts) and Speyhawk (Properties).

Deletions: Darby Group (Building Materials), Cronite (Metal & *Metal Forming*), *March Group (Motors)*, Clayform Warrants and Rowlinson Secs (Properties), Burmah 8½pc Uns '91/96, Texaco International 8pc Cv '81/99 (Oils & Gas) and Molopo Australia (Mines).

London Share Prices

Real time share prices are available by calling FT Cityline on 0891 43 + the four digit code listed after the share price on this page. Calls charged at 36p/min cheap rate and 48p/ min at all other times.

4:00 pm prices July 10

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Quote	Ch'ge Close Prev. Close
15⅞	11⅞	AAR Corp	0.48	3.7	20	119	13½	12⅞	13⅛	-½
26	18⅛	A L Labs A	0.18	0.9	84	49	21⅞	21	21	-⅛
68¼	53½	AMP Inc	1.82	2.8	22	1406	55	54⅝	54⅞	-⅜
80¼	60⅞	AMR				1672186	63⅞	63⅛	63⅝	+¼
2⅛	1⅛	ARX			2	6	1⅛	1⅛	1⅛	
53½	38¼	ASA	2.00	4.9	27	135	41¼	41	41	-⅛
34¼	26⅛	Abbott Lab x	0.60	2.1	21	7080	29⅝	29	29⅛	-¼
13⅞	12	Abitibi Pr x	0.50	3.9	9	28	13	13	12⅞	-⅛
11⅝	10⅛	ACM Gvt In x	1.11	10.0		779	11⅛	11⅛	11⅛	
10⅜	9⅛	ACM GvOpp x	0.94	9.8		115	9⅞	9⅜	9⅜	
9½	8½	ACM Gvt Se x	0.82	10.1		987	9⅛	9⅛	9⅛	-¼
11¼	10⅛	ACM Gvt Se	1.13	10.4		155	11	10⅞	10⅞	
9⅝	8⅞	ACM Man x	0.98	10.2		126	u9⅝	9½	9⅝	+⅛
12⅞	10⅝	ACM Managd x	1.21	10.6		158	11⅜	11¼	11⅜	+⅛
11¼	4¾	Acme Cleve	0.40	6.8	20	145	5⅞	5⅝	5⅞	+⅛
6¼	4⅜	Acme Elect			4	8	4⅞	4¾	4⅞	+⅛
33¼	18¾	Acuson			12	1776	19¼	19	19⅛	+⅛
19½	16⅛	Adams Expr	1.63	8.8	0	46	18⅞	18⅝	18⅝	-⅛
49⅛	29½	Ad Micro	3.00	9.1		790	33	31½	33	+2
21½	7½	Ad Micro P	3.00	35.6		39724	8½	8⅛	8⅜	+⅜
9⅛	5	Advest Grp	0.16	2.6	62	249	6¼	6⅛	6¼	+⅛
38¼	33	Aegon ADR	1.68	4.5	7	17	u37¼	36½	37¼	+⅞
47	38⅜	Aetna Lf	2.76	6.4		82758	43¼	42½	43	+½
12	8⅛	Athl A	0.24	2.2	12	770	11⅜	11¼	11¼	-⅛
32⅞	24	Aflac	0.44	1.4	16	722	32⅜	32	32¼	+⅛
19⅜	15⅛	Ahmanson	0.88	5.2	7	505	17	16⅞	16⅞	-⅛
22½	5¼	Aileen Inc			8	283	6⅝	6⅛	6⅛	
49½	36½	Air Pr Chm x	0.86	2.0	18	589	42½	41⅞	42¼	
29⅛	12½	Airbne Frt	0.30	2.3	10	967	13	12⅝	13	+¼
34¼	22⅝	Airgas Inc			29	195	32¾	31⅜	32½	+1¼
12⅛	8⅛	Airlease	1.68	15.3	7	48	11⅛	11	11	
104	99½	AlaPw8.16	8.16	7.9		2	103	102½	103	
106½	101½	Alab Pw 9P	9.00	8.6		2	104½	103½	104½	
105	100¼	Alab 8.28C	8.28	8.1		2	103½	102¼	102¼	
11⅛	10½	AlaPwDpPf	0.87	8.1		3	10⅞	10⅝	10¾	+⅛
23⅞	17⅛	Alaska Air v	0.20	1.1	11	113	19	18⅝	19	+⅛
21¼	14½	Albany Int	0.35	2.3	34	6	15⅛	14⅞	15	
32	21¾	AlCulvr B	0.24	1.1	19	149	22⅞	22¼	22⅛	-¼
25¼	19⅝	AlCulvr A	0.24	1.1	19	190	21⅝	21⅛	21⅛	+⅛
44⅞	35¼	Albertsons	0.64	1.5	21	1136	42½	41⅜	42	-¼
22¼	18⅝	Alcan Alum	0.60	2.8	71	1234	21⅝	21¼	21½	-⅛
42⅝	33⅛	Alco Stand	0.92	2.5	17	495	37¾	37¼	37⅜	+¼
23⅛	15⅜	AlexBrown	0.40	2.2	4	619	18	17⅛	17⅞	+⅞
23⅜	18	Alexr Alex	1.00	4.4	142	109	23⅛	22⅞	22⅞	-⅛
36⅜	27½	Allegh Lud	0.88	2.6	26	145	34	33¾	33⅞	-⅛
45¼	41½	Allegh Pow	3.20	7.0	12	560	u46⅛	45⅝	46	+⅜
31	22⅛	Allen Gp	1.75	7.1		12	24⅞	24⅝	24⅝	+¼
30	16⅞	Allen Con	0.20	1.0	13	84	20	19¾	19⅞	-⅛
27¼	20⅞	Allergan	0.36	1.6	26	351	22⅜	22⅛	22⅛	-½
39⅛	29½	Allnce Cap	2.26	6.4	14	208	35⅛	34⅝	35⅛	+⅜
12½	9⅞	Allnce Gl	0.18	1.8		66	10¼	10⅛	10¼	
21¼	18¼	Ald Irish	0.82	4.1	124	2	19⅜	19⅜	19⅞	+⅛
61¼	40⅞	Alld Sig	1.00	1.9	33	2208	53½	52¼	52⅝	+⅞
10⅞	9⅞	AlstMunTr	0.75	7.0		320	10⅜	10⅝	10¾	+⅛
9⅝	9	AlstIncOp x	0.72	7.6		318	u9⅝	9½	9⅝	
10⅜	9¼	AlstMninc x	0.76	7.5		62	10⅛	10	10⅛	+⅛
10	9½	AlstMninc x	0.60	6.2		22	9¾	9¾	9¾	-⅛
40⅞	34¼	Alltel Crp	1.48	3.7	17	184	39⅞	39⅝	39¾	-⅛
8⅜	5½	Allwaste			21	174	6½	6⅜	6⅜	-⅛
80⅝	61	Alcoa	1.60	2.2	158	2207	74	73	73	-⅞
55⅛	38⅞	Alza Cp A				1054	47⅜	47¼	47⅜	-¼
11⅛	10¼	AmGovInc x	0.98	9.0		284	11	10¾	10⅞	
8½	6¼	Am Precis	0.22	3.2	14	24	6⅞	6⅞	6⅞	
23⅜	16½	Amax	0.80	3.9	169	2752	21	20¾	20¾	-⅝
12½	8½	Amax Gold	0.08	0.7	39	298	11⅛	11	11⅛	
[illegible]	[illegible]	Ambase Cp			0	419	[illegible]	[illegible]	[illegible]	[illegible]
25	15¾	Amcast Ind	0.48	2.9	12	169	16¾	16½	16⅝	
49⅜	36⅝	Amerada Hs	0.60	1.3	133	1191	45¾	45½	45½	+⅛
10⅞	10	Am Adj R x	0.79	7.7		97	10¼	10⅛	10¼	
29⅝	22⅛	Am Barrick	0.11	0.4	38	2746	28½	28⅛	28⅜	+⅛

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Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng
28½	24⅞	Xtra 1.94	1.94	7.1		88	27¼	27¼	27¼	+¼
37	28½	Xtra Corp	0.80	2.3	12	52	34⅝	34½	34⅝	+⅛
27⅝	25¼	Yankee Egy	1.66	6.0	12	45	u28	27⅝	27¾	+⅛
1½	½	Zapata			43	169	⅞	⅞	⅞	
11⅛	6¾	ZenithElec			3	198	7⅝	7½	7½	–⅛
19½	14½	Zenith Nat	1.00	5.4	8	28	18½	18⅜	18⅜	–⅛
7⅛	6	Zenix Inc	0.82	11.7		75	7	6⅞	7	
13¾	10	Zero Corp	0.40	3.6	17	90	11	10¾	11	+¼
38	27¾	Zurn Ind	0.88	3.0	31	281	29	28¼	29	+½
14¼	12	Zweig Fund x	1.15	9.0		207	12¾	12⅝	12¾	
11	9½	Zweig Tot x	0.96	9.6		574	10⅛	10	10	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices July 10

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Perini	0.80	27	15	13⅛	13	13⅛	+⅛
Pet Hl&P	1.14	16	11	14¾	14¾	14¾	
Phil LD	0.21	18	2532	38¾	38⅛	38¾	+1
Pittway A	1.10	18	26	30⅛	29⅞	29⅞	–⅛
Ply Gem	0.12	23	79	11½	11	11½	+¼

NASDAQ NATIONAL MARKET

4:00 pm prices July 10

MONDAY INTERVIEW

Keeper of Germany's peace

General Klaus Naumann, head of Germany's combined military forces, talks to **Quentin Peel**

General Klaus Naumann, the first man to be appointed Inspector-General of a united German Bundeswehr since unification, is acutely conscious that his most immediate challenges are social and political, as much as military.

Other countries, such as Britain or France, may take their armed forces for granted. Germany does not.

"Germany is living in a special situation which many people do not quite understand," he says. "In the 1950s, the reason for re-armament so shortly after the war, and after the misuse of military power by a totalitarian government, was the Warsaw Pact. The threat was obvious. And now it does not exist.

"You British do not have such dramatic demolitions in your history. You have always grown up with the idea that there are British forces. But there is a great hole in our history about what constitutes a 'normal' military force.

"It is not a question which interests the simple man in the street, but is rather for the intellectual upper classes. They have a rather idealised view of international politics, that you can somehow tackle all problems without using military force.

"I understand these people, but it does not correspond to the reality of this world. I would say rather that those who are unarmed, and have no defence policy, cannot pursue any policy at all."

Two months ago, at a convention in Leipzig of more than 400 of his most senior officers, Gen Naumann delivered an extraordinary speech.

Parts of the German military had become infected with "idleness, paralysis and even arrogance", he charged. There was grumbling in the ranks. Others had succumbed to "whining and despondency". It was intolerable, and it had to stop.

If the Germany armed forces were asked tomorrow to take part in a major international peace-keeping exercise, he said, they would not be ready to do so "from a standing start".

"Haven't we allowed ourselves over the years to put on a bit of fat, to grow a little rusty?" he demanded.

It was a devastating performance, by a normally most mild-mannered man.

Gen Naumann was catapulted into the position of Inspector-General last October after only six months as a corps commander and ahead of several more senior men.

He is quite unlike any caricature of a Prussian army officer one might expect from the German military. He is a slight man, soft-spoken, with rimless spectacles and alert, friendly eyes. He is obviously intelligent, and certainly not very frightening. At least, not until he spoke in Leipzig.

He was the personal choice of Chancellor Helmut Kohl, who had come to know him as his main military adviser during the two-plus-four negotiations between the two Germanies, and the four wartime allies, which led to German unification in 1990. At that time he impressed for his grasp of the issues, but also for his willingness to speak out.

He was also adviser during the Gulf War, when German prevarication over the use of force against Iraq, and its inability to participate in the operation, was widely seen as very damaging to the country's international credibility.

Gen Naumann made no secret of his concern to the Chancellor. Germany could not go on "paying but not participating," he said. It clearly struck a chord.

He has taken over the top position in the Bundeswehr at an acutely sensitive moment. The immediate problems are three, but behind them lies another, much more fundamental. The first is to reduce the size of the armed forces to 370,000 men, compared with 495,000 in the West German military alone before unification. The second task is to dismantle the former National People's Army of East Germany and integrate its remnants into the Bundeswehr, including some 2,000 of the officer corps. And the third is to carry out both those actions at a time of hefty budget cuts.

It is perhaps no wonder that there is grumbling in the ranks. More important, however, and an issue of which Gen Naumann is acutely aware, is the loss of the Bundeswehr's sole *raison d'être*: to defend Germany against the visible threat of the Warsaw Pact on its borders.

Gen Naumann knows that he has to persuade not just public opinion, but also his own officers and men, that they have a vital and valid role in the post-Cold War world.

There is a strong neutralist tendency, albeit a minority one, within the German body politic. It is the reason why the German constitution is interpreted as forbidding the use of

'Germany is living in a special situation'

German troops outside the Nato area. "Everyone seems to have the idea that the constitution forbids the use of German troops outside [the Nato] area. It is not true," Gen Naumann says. "But it is a political reality." He is seeking to define a new role for the Bundeswehr which would include out-of-area operations.

His speech at Leipzig was far more than a reading of the Riot Act to his top commanders. It was also a far-reaching attempt, from a military perspective, to redefine the strategic priorities for the German armed forces.

PERSONAL FILE

- **1939** Born in Munich.
- **1958** Joined Bundeswehr.
- **1981** Colonel, on staff of German military representative, Nato military committee, Brussels.
- **1984** Brigade commander, armoured infantry brigade, Ellwangen.
- **1986** Brigadier, department head, force planning, general staff, Ministry of Defence.
- **1988** Major-General, head of defence policy and operations staff, Ministry of Defence.
- **1990** Adviser in two-plus-four negotiations before German unification.
- **April 1991** Lieutenant-General, commander, first German corps.
- **October 1991** Inspector-General of the Bundeswehr.

They must no longer think in terms of confrontation, he said. The collapse of the Communist empire meant that the immediate threat of attack on Germany had been removed. But the uncertainties, and the instability in nearly-neighbouring countries to the east, had increased enormously. He believes that Russia will not succeed in destroying its arsenal of chemical and tactical nuclear weapons before the year 2000. Nobody can be sure that Russia will remain politically stable for that long.

"In this new situation, the role of the German military should not be seen as an answer to an obvious threat," he says. "The task which has been set politically for us soldiers is to provide an instrument for the politicians, so that they can overcome the risks to the external security of the country, and prevent or limit any external conflicts.

Gen Naumann's sees the Bundeswehr undertaking peace-keeping and peace-making operations. He is convinced that peace can only be restored if peace-making forces carry an adequate threat of force.

Within Nato, he is involved in the controversial debate over strengthening the "European pillar" of the alliance. He believes that not only Russia, but the US too, will be increasingly concerned with domestic issues in the coming years, and Europeans must take on a greater burden within Nato.

"The US as an ally and powerful economic partner will continue to find it easy to influence Europe as a friend, but no longer with such a decisive influence," he says. Nato has a transitional strategy but still has to work out a lasting strategy, he says. That means developing a balanced relationship with the European Community and the Western European Union, the forum within which the EC members of Nato are seeking to develop a separate European defence identity.

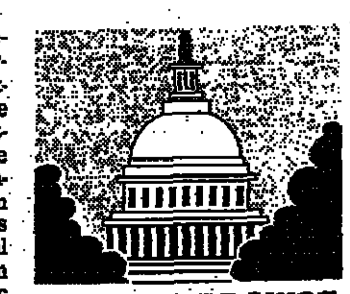
The WEU, he says, should remain a bridge between Nato and the EC (as the British would like to see it). But it should also provide Europe with the means to act militarily if the US, or Canada, are not ready to do so. Hence the need to allocate forces at its disposal, headed by the Franco-German idea of a Euro-corps, whose first purpose will be to serve the WEU, and only secondarily to serve Nato.

That is a very sensitive point, above all for the US. Gen Naumann insists there should be no conflict. "Everything we do should be directed to strengthening the European effort, complementary to Nato and compatible with Nato. We don't want to build any separate armed forces."

He is equally adamant on the question of setting up a new German national military command structure, in the unified and now sovereign Germany. It is a reorganisation which may even do away with his own title of Inspector-General and make him a "Chief of Defence Staff" like his Nato colleagues.

The process, he says, will leave Germany still totally integrated into the Nato command structure. "The name is not important," he says. "It is just like changing the label on a bottle of wine. The contents will remain the same."

A shift of mood favours Clinton



MICHAEL PROWSE on America

Before his ennoblement, Mr Nigel Lawson, the former British chancellor, once explained the success of Thatcherism by referring to the tides of history. The Conservatives, he implied, had been borne aloft in the 1980s as much by powerful intellectual currents as by their own efforts. As the Democratic National Convention opens in New York, I wonder whether Governor Bill Clinton and Senator Al Gore may not benefit similarly from tidal forces of unsuspected power.

The rise of Thatcherism coincided with a global shift towards free markets. This movement continues, but, in the US, the Democrats may benefit from a powerful cross-current. Many now believe that market forces must be supplemented by more effective social and environmental policies. The Clinton/Gore ticket neatly mirrors these anxieties: Mr Clinton has expertise in education, welfare policy and health care; Mr Gore is one of the US's leading environmentalists. Together these baby-boomers can speak with authority on the critical issues of the day.

After three years of economic stagnation, economics was bound to play a decisive role in this year's election. But fresh signs that the fragile recovery is again flagging have raised the stakes. The candidate with the most convincing plan for restoring prosperity is certain to have a powerful advantage. Mr Clinton – unlike President George Bush or Mr Ross Perot, the likely independent challenger – has a bold and potentially enormously appealing economic message for the American people, if only he can articulate it properly. It goes under the rubric of "people economics".

A coterie of close advisers has convinced Mr Clinton that efforts to improve the education and skills of the workforce hold the key to American competitiveness in the next century. The argument – long familiar in Britain – was well put by Mr Robert Reich of Harvard's Kennedy School of Government in The Work of Nations (Knopf 1991). Mr Reich, a fellow Rhodes scholar at Oxford with Mr Clinton, argued that capital mobility and global competition rendered traditional Democratic approaches to the economy obsolete.

Rather than focusing on measures to aid industry or promote physical investment, the US had to raise the skills and productivity of the American people – the least mobile factor of production – thus raising their wages regardless of the nationality of their employers.

Now listen to Mr Clinton outlining his "putting people first" economic strategy last month. "In the emerging global economy, everything is mobile: capital, factories, even entire industries. The only resource that's really rooted in a nation – and the ultimate source of all its wealth – is its people. The ony way America can compete and win in the 21st century is to have the best educated, best trained workforce in the world..."

In proposing ways of improving workforce skills, Mr Clinton has moved well beyond the usual focus on the failings of high schools. He wants to:

- make employers invest in the training of all employees (rather than just top executives) by imposing a training levy equivalent to 1.5 per cent of payroll;
- improve access to university by allowing all qualified students to borrow from the government and repay either through a low tax on subsequent earnings or by serving the community for a limited period – for example as police officers or teachers;
- offer new hope for the majority of Americans who do not graduate from college by setting up a national apprenticeship programme loosely based on continental European practice.

In America, such proposals are little short of revolutionary. The argument that investing in people – all the people – will secure greater economic prosperity has a good chance of resonating with the general public. Opinion polls show that voters are confused and dismayed by the stagnation of wages since the 1970s. Mr Clinton can offer both an explanation of what went wrong and a cure that sounds plausible.

By contrast, the other candidates offer shopworn economic recipes. Mr Perot is respected for his own entrepreneurial success. But on economic policy he has advanced a succession of clichés. He talks of eliminating the $350bn budget deficit "without breaking a sweat", yet his only concrete proposal is to cut waste, fraud and abuse. He has criticised the free-trade pact being negotiated with Mexico on the grounds that US employers cannot compete with Mexican wages. Yet simply restricting US access to cheap labour will do nothing to improve US productivity.

Mr Bush is even less inspiring. Under his stewardship, the economy has grown more slowly than at any time since the 1930s. He has lost the confidence of conservative supply-siders by acquiescing in minor tax increases and by allowing real federal domestic spending to rise at an annual rate of nearly 9 per cent during his presidency. Yet he has developed no strategy for channelling spending into productive investments, such as those proposed by the Democrats. If Mr Clinton can lay to rest doubts about his character and cogently articulate his vision of "people first" economics, he has every chance of winning in November.

JOTTER PAD

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 12.07.92: Pool purchase price £/MWh	Final Prices for Trading on 14.06.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	19.84	19.44	21.54
0100	19.84	19.25	21.34
0130	19.41	19.25	21.34
0200	19.41	19.25	21.34
0230	19.41	19.25	21.34
0300	19.41	19.25	21.34
0330	19.41	19.17	21.26
0400	19.41	19.17	21.26
0430	19.41	19.17	21.26
0500	19.41	19.17	21.26
0530	19.97	17.44	17.44
0600	19.97	17.40	17.40
0630	19.97	17.40	17.40
0700	19.97	17.39	17.39
0730	19.97	17.45	17.45
0800	20.39	19.98	22.10
0830	20.39	19.61	21.70
0900	20.73	19.98	22.08
0930	22.40	21.07	23.21
1000	22.45	20.64	22.78
1030	25.10	24.46	26.70
1100	25.89	25.93	28.21
1130	27.98	26.01	28.29
1200	28.00	26.01	28.27
1230	28.00	26.01	28.28
1300	28.00	26.01	28.28
1330	28.00	26.01	28.30
1400	25.89	24.46	26.72
1430	23.51	22.15	24.33
1500	23.51	22.15	24.34
1530	20.73	17.55	17.55
1600	22.45	17.55	17.55
1630	22.45	17.55	17.55
1700	20.73	17.57	17.57
1730	23.51	22.15	24.33
1800	23.51	22.15	24.33
1830	22.45	22.15	24.33
1900	23.51	22.16	24.33
1930	23.51	22.15	24.33
2000	23.51	22.15	24.33
2030	23.51	22.15	24.33
2100	23.51	22.15	24.33
2130	27.98	26.41	28.73
2200	27.98	26.41	28.70
2230	28.00	26.41	28.67
2300	28.00	26.41	28.69
2330	24.79	22.90	25.11
2400	19.30	21.03	23.18

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 13.07.92: Pool purchase price £/MWh	Final Prices for Trading on 15.06.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.76	21.03	23.61
0100	17.70	17.51	17.51
0130	17.70	17.51	17.51
0200	17.70	17.51	17.51
0230	17.70	17.51	17.51
0300	17.70	17.51	17.51
0330	17.70	17.51	17.51
0400	17.70	17.51	17.51
0430	17.70	17.51	17.51
0500	17.84	17.51	17.51
0530	17.84	17.54	17.54
0600	17.84	17.52	17.52
0630	17.84	17.54	17.54
0700	22.03	22.87	25.58
0730	24.14	23.02	25.67
0800	28.22	24.84	27.52
0830	25.92	28.47	31.23
0900	28.04	28.47	31.75
0930	28.10	30.01	32.74
1000	28.14	30.01	32.72
1030	28.16	28.48	31.12
1100	28.17	28.49	31.11
1130	28.21	28.50	31.12
1200	28.25	28.51	31.12
1230	28.22	28.51	31.11
1300	28.15	28.49	31.11
1330	28.06	28.48	31.11
1400	28.04	28.47	31.10
1430	28.02	27.43	30.04
1500	28.02	27.43	30.05
1530	28.02	27.43	30.05
1600	28.05	27.43	30.05
1630	28.10	28.00	30.83
1700	28.14	28.00	30.83
1730	28.11	28.00	30.83
1800	28.04	28.00	30.85
1830	25.91	24.89	27.48
1900	25.27	24.89	27.30
1930	24.82	23.84	26.53
2000	24.27	23.53	25.71
2030	24.18	21.90	21.90
2100	27.50	28.00	28.09
2130	31.31	28.00	28.00
2200	33.89	30.80	33.38
2230	32.86	36.00	38.71
2300	31.31	36.00	38.82
2330	27.50	29.07	31.82
2400	21.57	18.31	18.31

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

The appealing laws of cricket

JUSTINIAN

Sport and the law are not natural bedfellows. Where they do meet, in the enforcement of the rules of the game and codes of in the third test match at Old Trafford with England amply demonstrated.

When the administrators of a game stray from imposing instantaneous decision-making on the field of play according to simple rules, they flounder in providing any kind of satisfaction to players, the instant audience and the wider sport loving public.

Traditionally, all sports have been controlled by a referee or an umpire (two in cricket) who interpreted the rules of the game with an unfettered discretion and without any questioning from those ruled upon. Until recently, a batsman given out accepted his fate gracefully and departed the crease instantly; the most that he might do would be to stand his ground while umpires conferred on whether a catch had been made.

Nowadays, however, dissent creeps into the game. Modern technology in the form of action replay on a television screen provides the instant or delayed opportunity for demonstrating the incorrectness of an umpire's decision. And the commercialism of the sport, upon which so much depends for individual players, serves only to feed the appetite for challenging the verdict. Since the umpire's decision cannot sensibly or in practice be reversed, any injustice of a palpably wrong decision will continue to rankle and to cause friction both on and off the field.

Alongside the heightened importance of winning and not losing is the complication of the rules under which the game is played. The interpretation of rules about bowling bouncers led the Pakistan fast bowler, Aqib Javed, to exhibit petulance towards umpire Roy Palmer when warned (as the umpire was empowered to do) for intimidatory bowling at Devon Malcolm, his opposite, unprotected number 11 batsman.

In days gone by, any such impetuous dissent would have been passed off as of no moment or the bowler's captain would have intervened – not as Javed Miandad did, to take up his team mate's cudgels – to administer a friendly warning that untoward behaviour on the field was not tolerable. Any disciplining of a player by his captain or team manager would have been dispensed later, off the field.

But cricket captains nowadays are sometimes less commanding figures than of yesteryear. We may mourn the passing of the days when umpires and captains were able to maintain order on the field, and players contained any frustration they might have felt at wrong decisions. After all, there is usually a law of averages operative in which one player given out is likely to be balanced by a team mate being lucky to survive a just appeal.

Those halcyon days can be revived only if the administrators of cricket stand firm and proclaim that the umpires have absolute control of the game, including if necessary, the power to send the player off the field for any serious infringement of the rules of the game or other misbehaviour.

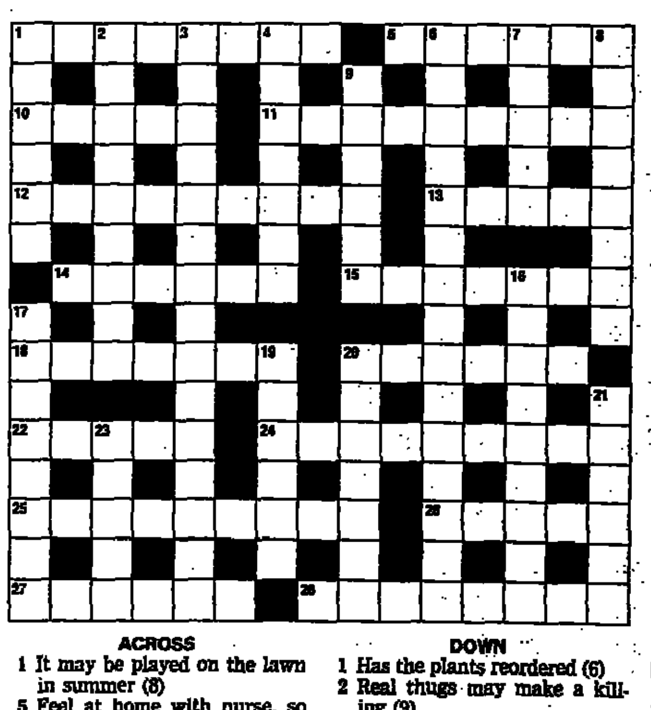
But, alas, cricket administrators have responded predictably to some process of adjudication external to the play. In doing so, they have failed to appreciate what regulations and rule-enforcement can usefully provide to assist an orderly game. They have not heeded the advice which lawyers could give. The international cricketing authorities have adopted a familiar technique of appointing a match referee who may conduct a post mortem on some incident that has not been immediately resolved on the field. Hence Conrade Hunte, a well-respected West Indian cricketer of the past, had to pronounce on the propriety of Roy Palmer's umpiring decision on intimidatory bowling; Aqib Javel's unseemly outburst at being warned; and at Javed Miandad's undiplomatic intervention. The match referee's verdict was almost wholly unsatisfactory. The bowler was deservedly fined. His captain inexplicably escaped unscathed with merely a pointed request to exercise leadership in the field in the future. Unaccountably, a request in similar vein was made to the England captain. Worse was to follow. The Pakistan manager, Intikhab Alam, responded to the situation by making an unwarranted allegation that the umpire, at the end of the over, had thrown, not handed, Aqib Javed's sweater to him, suggesting "persecution" of the Pakistan team by an English umpire.

If it is considered sensible to inject a post-match system of regulation, much more attention needs to be paid to procedures and the mode of decision making. Cricketers who are subjected to this off-the-field process, involving potential criticism and even disciplining, will rightly call for proper avenues of representation before the match referee gives his verdict. And the referee's decision must be properly reasoned if satisfaction to those involved is to be achieved. This means that match referees will need to be appointed according to their abilities as adjudicators as well as for cricketing expertise, and not solely for their past cricketing prowess.

Louis Blom-Cooper QC

CROSSWORD

No.7,897 Set by DANTE



ACROSS

1 It may be played on the lawn in summer (8)
5 Feel at home with nurse, so propose! (6)
10 Gather in great numbers for a service (5)
11 Tributes paid to organised labour (5,4)
12 Detail of special importance – about a star? (9)
13 Rigid measure? (5)
14 Suckers for drink (6)
15 He doesn't book good players (7)
18 Composer born, I do recall in 1834 (7)
20 Arouse revolutionary tribes (6)
22 Expressions of gratitude and disapproval are forbidden (5)
24 Deft clue is an anagram I included, tricky! (9)
25 Philosopher is to alter translation (9)
26 Mean to get a girl (5)
27 Your first task about midnight is making a dairy product (6)
28 It was instrumental in combining rest and play (8)

DOWN

1 Has the plants reordered (6)
2 Real thugs may make a killing (9)
3 Two tools for a pound (6,3,6)
4 Gambles heavily in dives (7)
6 Lay out loan for pensions (15)
7 Identical in one quality (5)
8 Didn't stay uninhabited (8)
9 More suitable for one on the assembly line (6)
16 Plenty of soldiers to strengthen support (9)
17 Life after death? (8)
19 Untidy heap of discarded clothing (6)
20 Well-filled vessels (7)
21 Indistinct, and barely changes (6)
23 Begin to be a real person (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday July 25.